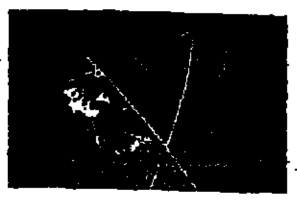


World Wide Web
Friendly face of the Internet
Page 8

Under the limit
How to avoid the Christmas hangover
Page 10

TOMORROW'S **Weekend FT**
The changing face of air travel

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY NOVEMBER 25 1994 | D8523A

Decision day for foreign banks in Telekom sale

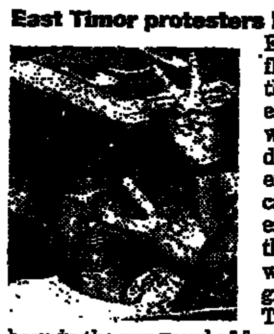
US and European banks will learn today which of *them has been picked* by the German government to play the main foreign role in the DM15bn ($9.7bn) privatisation of Deutsche Telekom. Merrill Lynch of the US is regarded as one of the strongest candidates, with Goldman Sachs, Morgan Stanley and Salomon Brothers also among the 22 banks which made presentations in Bonn. Page 15

Death sentence for bus bomber: An Israeli military court sentenced a Palestinian to death for plotting a suicide bus bombing that killed six people, including the bomber, in April. If upheld, the sentence would make *Hamas member Said Badar*neh only the second person to be executed in Israel after Nazi mastermind Adolf Eichmann, hanged in 1962. Further Gaza clashes likely, Page 4

Threat to US oil supplies: The US risks a winter oil shortage because many tanker owners have not yet shown that they can comply with tough new US rules about meeting the financial consequences of an oil spill. Page 14

Hacker claim probed: Britain's Data Protection Registrar has called for talks with British Telecommunications over a breach of security which has resulted in the leak of some of the most sensitive security telephone numbers in the UK. Page 6

East Timor protesters leave US embassy:



East Timorese protesters flashed victory signs as *their bus left the US* embassy in Jakarta, where they staged a 12-day sit-in. The 29 protesters were on their way to catch a flight from Indonesia on the first leg of their journey to Portugal, where they have been granted *political* asylum. Timorese youths have been in the vanguard of fresh protests against Indonesian rule of the former Portuguese colony.

Hungary accused over hotels: *International* banks accused Hungary of scuttling the sale of the country's biggest hotel chain, and cast doubt over Budapest's commitment to privatisation. The row erupted as talks collapsed about a tender by American General Hospitality for 51 per cent of state-owned Hungarhotels. Page 15

BASF profits soar: The German chemicals group forecast a 50 per cent rise in pre-tax earnings to DM1.6bn ($1.07bn) this year after profits more than trebled in the third quarter. Page 15

Zaire bank chief sacked: Zaire's president Mobutu Sese Seko dismissed the head of the Bank of Zaire, ending a four-month battle of wills between central bank governor Ndiang Kaboul and Kengo *Wa Dondo*, prime *minister*. Page 4

UK business seeks renewed Iraq links: Some British companies are preparing to resume trade with Iraq when sanctions are lifted, even though the UK government *publicly supports* their continuation. Page 7

Joint Irish promotion move: London and Dublin agreed to launch their first joint initiative to promote *Ireland as a holiday destination.* Worldwide inquiries about Northern Ireland tourism has almost doubled since the Irish Republican Army's September ceasefire in its war against British rule.

Prosecutors demand death: Turkish prosecutors called for eight Kurdish politicians to be condemned to death for treason. The eight are accused, in what has become a controversial trial, of complicity with outlawed Kurdish guerrillas.

No change in German rates: The Bundesbank's council meeting decided to leave German interest rates unchanged. Currencies, Page 42

Bulgaria shuts down N-plant: Bulgaria suffered nationwide power shortages *after* the Kozloduy nuclear power *plant* had *to* be shut down because of a switch failure. Officials said there was no radiation danger.

Hijacker surrenders: A Russian former mine worker miner who hijacked a Russian aircraft carrying 70 people surrendered in Estonia after releasing all his captives.

Russia's income gap widens: The average income of Russia's wealthiest 10 per cent was 12.3 times higher than that of the poorest, according to official figures for September and October.

Bishops' refresher course: The Roman Catholic church is organising "pastoral and theological" refresher courses *at the Vatican for bishops.*

Hamburg drugs haul: German customs officials in Hamburg seized 16 tonnes of marijuana worth about $65m on a freighter.

Rugby refreshment: Australia's 40-strong rugby league squad downed 16,200 cans of specially imported Australian *lager during their* 53-day tour of Britain.

STOCK MARKET INDICES

FT-SE 100:	3,036.6	(+9.1)
Yield	4.23	
FT-SE Eurotrack 100	1,329.95	(+16.62)
FT-SE-A All-Share	1,510.28	(+0.2%)
Nikkei	18,761.24	(-261.75)

LONDON MONEY

3-mo Interbank	6%	(same)
Life long gilt future: Dec 103½		(Dec103¾)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.15	(17.02)

GOLD

London	$384.5	(385.0)

STERLING

London:		
$	1.5621	(1.5701)
DM	2.4339	(2.4394)
FFr	8.3609	(8.3799)
SFr	2.0631	(2.0675)
Y	153.76	(154.396)
£ Index	79.6	(79.9)

Tokyo close Y 98.47

The New York markets were closed yesterday

Disagreement means 'stabilisation zone' plan must be referred to UN

Squabbling Nato fails to contain Serb thrust

By Laura Silber in Belgrade and Bruce Clark in London

Government forces defending the town of Bihac in northwest Bosnia said they had lost strategic ground *to the Serbs last night* as squabbling Nato countries put together a plan to stop the fighting in the embattled enclave.

After a day of unexpectedly tough bargaining in Brussels, ambassadors from Nato's 16 *members failed to* agree on details of a blueprint to halt the Serb advance and referred it to the United Nations.

Mr Robert Hunter, the US ambassador to Nato, said the 16 allies were in broad agreement on a proposal to set up a "stabilisation zone" around Bihac.

"*We have asked the UN military* authorities to tell us what the UN protection force [in Bosnia] might need," he said, adding that it should be possible to protect the enclave under existing UN resolutions.

However, Russia and China, both members of the UN Security Council, cautioned against Western military intervention in the conflict as Nato members haggled over the details.

Mr Haris Silajdzic, Bosnian prime minister, said the Serb attackers had taken the strategic hill of Debeljaca, which overlooks Bihac, in fighting which intensified yesterday afternoon.

"They are attacking from all sides and the houses are burning," said Mr Silajdzic, alleging that the Serb infantrymen were backed by tanks and artillery.

Allies fall out over protecting Bosnia safe areas ....Page 2

Mr Andrei Kozyrev, the Russian foreign minister, sharply criticised the Bosnian government.

"The Moslem side launched its *latest offensive with the clear* intention of involving Nato and other third forces in fighting on its side," he said in Moscow.

Mr Kozyrev said there could be no military solution to the Bosnian conflict, and outside intervention *could result in* a "second Afghanistan or Vietnam".

The minister said next week's meeting of the contact group – comprising the US, Russia, Britain, France and Germany – must send a "clear signal that the world community ... favours a return to political methods" in Bosnia.

China, whose approval will be necessary for any fresh UN resolutions on *Bosnia*, voiced "*deep* concern" and insisted that Western air power should be used to defend civilians or peacekeepers, and not in a punitive way.

In emergency talks in in Brussels, the US initially urged its *allies to agree to make as wide as* possible the zone round Bihac town where heavy weapons would be subject to air strikes.

European members of Nato, led by France, suggested a more modest plan for a four-mile extension of the UN's existing "safe area".

Approval of this idea was delayed by French insistence that more ground troops would be *needed to implement any cease*-fire agreement.

The French stance aimed to drive home to the US the limits of a policy based purely on air power. The US has refused to deploy ground troops in Bosnia.

The UN's current contingent in the Bihac enclave is largely made up of a force of 1,200 poorly armed Bangladeshis, who were resupplied by a UN convoy yesterday under an agreement with the Serbs. The UN's vulnerability to any all-out confrontation with the Serbs was driven home yesterday when more than 250 peacekeepers from Canada, France, Russia and Ukraine were *detained in the Sarajevo* area.

The Bosnian Serbs on Wednesday blocked the peacekeepers at weapons-collection sites round the exclusion zone ringing the Bosnian capital.

While UN officials are trying to downplay the detention, it followed threats by Bosnian Serb leaders to wage an "all-out war against the UN" in retaliation for ordering Nato air strikes.

Seeking shelter: an elderly woman runs for cover from a Serb sniper yesterday in Sarajevo Picture: Reuter

EU rebels threaten challenge to Major's leadership

By Philip Stephens in London

The bitter confrontation between *Mr John Major* and Eurosceptics within his ruling Conservative party escalated yesterday as leaders of the anti-Brussels rebellion threatened to turn it into a direct challenge to the prime minister's leadership.

The latest bout in the struggle over increased British contributions to the European Union followed formal cabinet endorsement of Mr Major's threat to seek a general election if he is defeated in a parliamentary vote *on Monday*.

In spite of the continuing defiance of a hard core of Conservative sceptics and an attempt by the opposition Labour party and the Liberal Democrats to defeat the government, senior ministers *insisted last* night they were assured of a comfortable victory.

On paper, the government's majority is only 14, but Mr Major also expects the backing of nine Unionist MPs from Northern Ireland. Mr Tony Blair, the Labour leader, acknowledged publicly that a general election *was unlikely*.

Amid signs of irritation among rightwing members of the cabinet at the prime minister's handling of the issue, there was less confidence that the row had not further damaged the Mr Major's *already battered authority.*

The three leading Eurosceptics in the cabinet – Mr Michael Portillo, Mr Peter Lilley, and Mr John Redwood – publicly supported the tough line over the bill, which Downing Street *insisted had been reaffirmed* unanimously at yesterday's meeting. But earlier at least one had voiced his misgivings to journalists.

Anger on the backbench Tory right prompted intense speculation that *Mr Norman Lamont*, the former chancellor of the exchequer, *might stand* in a leadership contest.

Opponents of Mr Major are seeking the 34 nominations needed by next Wednesday to trigger a leadership contest. The dissidents are still short of the

Continued on Page 14
Editorial Comment, Page 13
International bonds, Page 19

Berlusconi pension deal may avoid strike

By Robert Graham in Rome

Italy's embattled government *was last night hammering out* a compromise formula on pension reform with trade union leaders in a bid to head off a damaging eight-hour general strike on December 2.

Both sides appeared anxious to resolve the confrontation, over proposed cuts in Italy's generous state pensions system, as the country's rightwing coalition battled for political survival.

In the run-up to last night's meeting, Mr Silvio Berlusconi, the prime minister, indicated his willingness to make fresh conces*sions to the unions to avoid* the strike.

This was in sharp contrast to his tough stand before and after the huge union-organised protest that brought almost 1.5m demonstrators on to the streets of Rome on November 12.

The government's attempt to find a compromise appeared directly linked to Mr Berlusconi's weakened political position in the wake of Milan magistrates warning him this week he was under investigation for alleged corruption.

As more details of the investigation leaked out, Milan magistrates were reported to have discovered a bank account allegedly used for making unregistered payments in Mr Berlusconi's Fininvest business group.

Mr Berlusconi has said he will not resign as a result of the investigation. However, if the general strike went ahead, it would add an additional element of political instability. The populist Northern League of Mr Umberto Bossi is in open dis*agreement with its coalition* partners, particularly on the pensions issue, where it is ready to side with the unions.

Mr Berlusconi is fighting a desperate battle to survive and needs to get the 1995 budget *through parliament*.

Apart from being ready to give ground on pensions, he signalled on Wednesday a renewed readiness to sell off the bulk of his stake in Fininvest – although the opposition consider such a move *unlikely*.

Union leaders called the gen*eral strike* to increase pressure on the government to remove the sensitive and complex issue of pension reform from the budget. However, they are concerned they might lose control of grass roots protest and have no wish to be seen as the cause of social *instability*.

The government was last night seeking a formula that would not alter the budget's overall aim of finding up to L50,000bn ($31bn) in new taxes and spending cuts to hold the public sector deficit *down to 8 per cent of GDP.*

The treasury has warned that the financial markets would react negatively to any weakening of the budget's objectives. *Removing pension cuts* from the budget would mean the government finding L5,000bn from elsewhere.

Any agreement on pensions between the government and the unions will have to be committed *for consultation to Confindustria*, the industrialists confederation: *and all sides may wish to reflect* before a final decision.

Investigation leak, Page 2

Business chiefs outline steps to stem European job losses

By Lionel Barber in Brussels

Europe's top industrialists yesterday called for a campaign to reduce public spending, to speed privatisation, and to *improve education and training*, in order to prevent the drain of jobs and wealth to the US and Asia.

In a hard-hitting report issued in advance of next month's European summit in Essen, the European Round Table warned that it was an illusion to believe that economic recovery meant an end to Europe's crisis of competitiveness.

"This is a dangerous conclusion. The need to improve long-term competitiveness in order to generate job opportunities through sustained growth remains as important as ever," the report says.

The Round Table groups 40 top industrialists from companies such as Bayer, BP, Fiat, ICI, Philips, Siemens and Unilever.

Its seven-page report makes several recommendations to force competitiveness to the top of the EU's political agenda:

- The creation of a Competitiveness Advisory Group. The forum would be drawn from business and trade unions. It would offer *an independent assessment of* industry's performance in global markets.
- The appointment of a European commissioner for competitiveness, *to filter proposals for* EU-wide legislation in order to halt directives deemed to damage businesses' ability to compete internationally.
- Investing – not consuming – the "recovery dividend". Public finances must be put on a sound footing; the burden of the public sector must be lifted; and the proposed carbon dioxide energy tax scrapped, says the report.

Sir Denys Henderson, chairman of ICI, and Viscount Etienne *Davignon, chairman of the* Société Générale de Belgique, presented the report to Mr Jacques Delors, outgoing president of the European Commission, yesterday.

Mr Delors was said to be in favour of its main conclusions.

Sir Denys said Europe could not afford to slacken efforts to bolster its competitiveness, despite the economic recovery: *"We are, so to speak, at the point* of maximum danger, where people often let loose [on costs]."

He warned that EU trade with the rest of the world had failed to keep pace with *intra-EU* trade. Energy costs to European industry were at least 30 per cent higher than in the US, while taxation levels in Europe were 46 per cent of GDP (as opposed to 31 per cent in the US and 34 per cent *in Japan*).

The Round Table report gave a cautious welcome to the trans-European networks, the billion-dollar infrastructure projects expected to span Europe in the 21st century. But it remained *generally wary about state subsi*dies and public spending.

Viscount Davignon urged Europe's leaders to examine the projects seriously at the Essen summit on December 9 and 10.

CONTENTS

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs60	Nigeria	Naira80	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr15
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

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NEWS: EUROPE

Berlusconi investigation details leak out

By Robert Graham in Rome

Milan magistrates are reported to have discovered a bank account allegedly used for making unregistered payments in the Fininvest business group of Mr Silvio Berlusconi.

This discovery, according to the national news agency Ansa, lay behind the magistrates' move on Tuesday telling Mr Berlusconi, the prime minister, he was under investigation for alleged corruption. The report, quoting judicial sources, appeared to be a well orchestrated leak from Milan magistrates in advance of Mr Berlusconi's interrogation.

No date has been fixed, but the meeting with the magistrates, whom Mr Berlusconi has accused of mounting a politically motivated campaign against him, is expected very soon.

Throughout 2½ years of anti-corruption investigations that have undermined Italy's post-war political system, sensitive information has consistently leaked from the offices of the Milan magistrates – including this week's news of the plan to interrogate Mr Berlusconi.

The report of the bank account discovery followed publication in yesterday's media of the four-page document explaining why the magistrates wish to interrogate the premier about heading his Fininvest group, Italy's second largest private business empire. The bank account allegedly served to make off-balance sheet payments to members of the Berlusconi family and Fininvest executives as well as to others including the Guardia di Finanza, the financial police.

Mr Jas Gawronski, Mr Berlusconi's spokesman, ridiculed the report, saying: "Mr Berlusconi has for many years been the first and second biggest taxpayer in Italy. If he wished to give presents to his family and friends, he had no need to resort to illicit funds let alone Swiss bank accounts."

In July Mr Salvatore Sciascia, head of Fininvest's tax department, admitted paying L330m (£130,500) between 1989 and 1992 to Guardia di Finanza officials. This related to tax inspections of Videotime, a Fininvest TV production company, Mediolanum, the group's life insurance company, and the Mondadori publishing division. Mr Sciascia also received a special L500m gratuity from Mr Berlusconi for his work at Fininvest. One of the reasons cited by Milan magistrates for questioning Mr Berlusconi was his responsibility as head of the group for such payments.

Mr Sciascia told magistrates the funds were given to him by Mr Paolo Berlusconi, the prime minister's younger brother. Mr Paolo Berlusconi later confirmed the payment and claimed Fininvest had been forced to make it. This has been the standard defence of all businessmen accused in the ever-widening enquiry into bribes paid to tax inspectors. Mr Silvio Berlusconi used the same defence at a news conference in Naples on Wednesday.

Milan magistrates are also investigating in a separate case alleged undeclared transfer fees paid by Mr Berlusconi's football club, AC Milan, for Gianluigi Lentini of Torino football club. Mr Mauro Borsano, the head of Torino, told the magistrates L8bn was paid secretly via banks in Liechtenstein and Lugano.

Different judicial authorities in Italy are believed to be investigating at least seven separate cases within the Fininvest empire. Yesterday Rome magistrates revealed that Mr Berlusconi was on the list of people under investigation for abuse of office following complaints by a left-wing politician and a consumers' association, for allegedly putting pressure on the RAI, the state broadcasting organisation, to do a deal with Fininvest's TV channels on advertising rates.

It also emerged yesterday that Mr Berlusconi's two children by his first marriage – Marina, aged 28, and Piersilvio, 25 – who have board positions in Fininvest, were under investigation for alleged false billing in connection with Publitalia, Fininvest's advertising arm.

Berlusconi: biggest taxpayer

Move to root out corruption in France

By David Buchan in Paris

Wide-ranging proposals aimed at stemming corruption in French political life were yesterday tabled by an all-party group of deputies in France's National Assembly.

Among other things, the proposals would reduce the share of corporate cash in political party coffers, submit politicians to audits of their personal wealth and make it harder for them to hold national and local posts simultaneously, and increase transparency and controls on the awarding of public contracts.

It is unlikely all 18 legislative proposals in the group's 650-page report would become law, even though representatives of almost all the assembly's 577 deputies sat in the group, chaired by Mr Philippe Séguin, assembly president. This fact did not commit parliamentary parties to backing the report, Mr Séguin said yesterday.

The reforms could be debated by the assembly in mid-December, he declared. But the government is master of the parliament's agenda. Prime Minister Edouard Balladur is reluctant to introduce new legislation on corruption, arguing the current investigations of senior politicians and company heads show existing anti-corruption laws are working.

To avoid being accused in next spring's presidential election of being lax on the issue, Mr Balladur is likely to react to reforms which Mr Séguin said were aimed at "helping dissolve suspicion of public officials and restoring confidence in democracy".

The premier has already given his backing to minor amendments to audit politicians' personal wealth and to reverse his own government's easing of the provisions of a 1993 law governing procedures on public contract awards.

In one respect, yesterday's report goes less far than Mr Balladur, who said he was open to a total ban on corporate contributions to political parties for an experimental three years. The report suggests that the state could fund more political expenses and increase tax incentives for individuals to give more money to the party of their choice, so indirectly lessening the weight of corporate gifts.

But one proposal would drastically change French politicians' careers by preventing them "accumulating mandates". At present, of the 577 deputies, 83 are also mayors of big cities, 22 preside over departmental councils and nine preside over regional councils. Under the proposed reform, they would have to choose either the national or local post.

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Allies fall out over protecting Bosnia safe areas

By Laura Silber, David Buchan and Bruce Clark

Wide differences of emphasis between the outside powers involved in Bosnia have resurfaced as they debate how to defuse the crisis in Bihac, a stronghold of the Moslem-led government which has been surrounded by Serb forces.

The US, strongly committed to the Bosnian government, has pressed for the establishment around Bihac of as wide as possible an "exclusion zone" in which heavy weapons would be subject to air strikes.

This measure would be aimed at the Serbs, who enjoy overwhelming superiority in heavy armour.

France has been no less strident than the US in saying that the town of Bihac – a small and theoretically UN-protected area of the Bihac enclave – must not be allowed to fall.

Paris was one of the first western capitals to moot the idea of extending the protected area northwards from the town by up to four miles, less than the US would like but still a breathing space.

At the same time, France and Britain – whose troops form the linchpin of the UN ground force in Bosnia – have doubts about the feasibility of protecting Bihac with air power alone.

London and Paris differ about what these doubts imply. British officials say the fall of Bihac may in practice prove impossible to prevent, while the French say the limits of air power reinforce the need to deploy for more ground troops.

This Anglo-French difference is more rhetorical than substantial. But not for the first time, Paris is proving quicker than London to seize the moral high ground in Bosnia.

The US put forward its ideas as part of a plan to "demilitarise" Bihac – a worthy-sounding objective whose precise meaning is bitterly disputed.

If it means a surrender of weapons by the government army, whose battle-hardened Fifth Corps is based in Bihac and remains in business, then it will be hailed by the Serbs and rejected by the Bosnian authorities. The reverse may apply if the Fifth Corps is allowed to keep its weapons and use them elsewhere.

This week's showdown around Bihac is the third crisis since the UN designated six Bosnian towns as "safe areas" in May 1993.

Royal Navy Sea Harrier jets prepare for take-off from HMS Invincible in the Adriatic yesterday. They have been in action over Bosnia for the past four days PA

The international community failed to define their borders and sent a handful of troops to guard them. Nor was their status as safe areas ever respected by the warring parties. Serbs have blocked convoys to the enclaves, while Moslems have used them as launching pads for assaults.

The "safe area" concept was born out of fears of a bloodbath in April 1993, when the defenders of Srebrenica, one of three Moslem enclaves in the east, smuggled out a note, saying they could not hold out.

On condition that government forces disarmed immediately, Bosnian Serb commander General Ratko Mladic agreed to halt the offensive. The UN never called it a surrender, but it was a unilateral disarmament.

About 44,000 Moslems remain in Srebrenica, an unviable enclave at the far end of a life support system.

In April, Moslem defenders tried to break out of Gorazde, about 45 miles south-east of Sarajevo. Scoffing at Nato threats, Bosnian Serb forces closed in on the town, which was crowded with 65,000 people, most of them refugees.

Nato reacted with a series of small air strikes. Gorazde, like Sarajevo, was declared an "exclusion zone" where heavy weapons could be subject to aerial bombing, and a ceasefire was negotiated.

Eight months later, the enclave remains short of food, and conditions are miserable, but the government army appears to have retained some fire-power in the town – enough, in the UN's view, to stage occasional provocations.

Vote opens way for Turkish privatisation

By John Barham in Ankara

Turkey's parliament approved a framework privatisation law yesterday, opening the way to sell nearly all the country's loss-making state companies.

Approval of the law, by 193 votes to 25, was a welcome political victory for Prime Minister Tansu Çiller, whose fractious coalition government has faced collapse in recent weeks.

The law gives the PPA broad authority to sell more than 100 companies without prior parliamentary approval for each sale. Proceeds will finance infrastructure projects and fund severance payments for workers who lose their jobs.

The Erdemir steel company and the Petrol Ofisi chain of petrol stations and oil refineries are expected to be among the first companies to be privatised. Officials expect to raise $4bn from privatisation next year.

The state telephone company has a special constitutional status, so cannot be privatised at present. However, the government will be able to license new private telephone services.

This is the first structural reform measure parliament has approved since Mrs Çiller in April adopted an emergency package of tax increases and spending cuts after a balance of payments crisis. Both the International Monetary Fund and World Bank, which support her policies, had become exasperated at the slow pace of public sector reform.

State companies control or dominate the telecommunications, airline, iron and steel, mining, petroleum and electric power industries. Last year, they contributed one-fifth of the public sector borrowing requirement of $29.72bn.

Politicians have resisted privatisation because state companies are a valuable source of patronage. Earlier this year, Mrs Çiller tried to impose privatisation by decree. But the SHP social democratic party, her junior coalition partner, appealed to the constitutional court. It ruled that the government must win parliamentary approval first. Her conservative DYP party only won the SHP's grudging support by promising to relax Turkey's strict security laws.

However, Mrs Çiller now faces mounting opposition from trade unions. On Wednesday, demonstrators paralysed the city of Zonguldak, home to the Demir Çelik steel company, to protest against privatisation, which is likely to cost 80 per cent of the company's 8,700 jobs.

Yeltsin aide in call to postpone elections

By John Lloyd in Moscow

A senior Russian presidential aide yesterday called for the postponement of parliamentary and presidential elections because of the "political apathy of the majority".

Mr Mark Urnov, newly appointed head of Mr Boris Yeltsin's analytical centre – the main presidential think-tank – also said that combining the elections for parliament and the presidency could "raise the level of political activity of the population" and drive more people to the polls.

Another reason for postponement, he said, was that positive results from the tough economic policy being proposed by the government would appear only after the summer of 1996. Parliamentary elections are scheduled for the end of next year, while presidential elections are due in spring of 1996.

Postponement of the elections has been a constant theme of presidential aides in recent months – though they insist, as Mr Urnov repeated yesterday, that Mr Yeltsin has not yet decided whether he will again be a candidate.

Mr Urnov said Mr Grigory Yavlinsky, leader of the reformist Yabloko group and a self-declared presidential candidate, had an "extremely high" rating as a potential presidential candidate, especially in industrial areas, according to his polls.

But Mr Yavlinsky, with other reformist leaders such as Mr Yegor Gaidar, leader of the Russia's Choice grouping, Mr Boris Fyodorov, leader of the Liberal Democratic Union, and Mr Sergei Shakhrai, leader of the Party of Unity and Accord, are considering uniting forces by presenting a joint platform on parliamentary elections and one candidate for president.

The move comes in the face of increasing evidence that far-right and far-left parties are better organised, more popular and ahead in local elections.

● Mr Andrei Kozyrev, the foreign minister, warned yesterday of a danger of fascism in Russia. "There are concrete examples of people who express it," he said.

Meanwhile, one of the far-right leaders, Mr Alexander Sterligov, head of the Russian National Assembly, forecast yesterday a period of "national liberation struggles" to stop the present leadership from turning the country into a "servile producer of raw materials for the west" and to express the interests of the 84 per cent of the population who are ethnic Russians.

Iberia strike situation 'very grim'

Things were starting to look up for the airline's Hispanic strategy, reports Tom Burns

A two-hour stoppage by ground crews has forced Iberia to cancel 20 per cent of its 125 domestic flights today as management and unions remained in a deadlock that could ground Spain's national carrier in the days ahead and, in the medium term, reduce the company to a fraction of its present size.

The management said on Wednesday that unless unions accepted a viability plan involving average pay cuts of 15 per cent for the airline's 25,000 employees, it would press ahead at the begining of next week with a decision to axe 5,200 jobs and to sell off most of its business units.

Unions will stage the first of several planned demonstrations against the threatened break-up of the company on Monday, with a march through central Madrid. Mass meetings held at domestic airports heard calls to close down air traffic in Spain, and there is growing concern that wildcat disruptive action could follow if the airline's main unions lost control of the protest to extremists.

"The situation is very grim indeed," said a middle-management executive who asked not to be named. "The labour force is extremely angry and it is in no mood to negotiate anything unless the top level of the company is sacked first."

As it lurches into the severest crisis in its 65 years, Iberia faces the prospect of bankruptcy by next March unless it gains a Pta130bn ($1bn) injection of capital. The funds can only be obtained through public subsidies, which have to be authorised by the European Commission, or through disposals.

Part of Iberia's problem is its singular failure to increase its revenue. The carrier says that although its unit costs are comparable to those of Lufthansa, it raised its revenues between 1990 and 1993 by only 7.4 per cent from Pta277bn to Pta299bn, compared with a 22.2 per cent increase by the German carrier over the same period.

The lowered revenue, Iberia claims, is chiefly caused by the competition that the company faces from charter carriers which account for 80 per cent of air traffic to Spain. This competition from cut-rate operators places a heavy cost-reducing onus on Iberia.

The company's costs, measured in available seat kilometres (ask), stand at 11.5 US cents – a middle-ranking level among the big European airlines, where the best performer is British Airway's 8 US cents ask. Iberia needs to curb its expenditure to BA's level if it is to take business from the charter carriers.

The additional burdens of a fleet renewal programme, which Iberia is already scaling down, and of a strong investment policy in Latin America have served to increase the company's losses, estimated to total Pta44bn this year, up on earlier estimates of Pta30bn.

Even if the pay cuts had been agreed with the union, Iberia would still have encountered difficulties in gaining approval from Brussels for a government recapitalisation. There is an open rift in the Commission over new guidelines on state aid to troubled carriers and seven European airlines, led by British Airways, are contesting the Commission's recent approval of a state aid package worth $3.9bn to Air France. Iberia's accumulated losses by December will have in effect wiped out a Pta120bn capital injection authorised by Brussels in 1992 on condition that no more public money be made available to the airline until 1996.

Breaking up the airline would involve raising around Pta130bn by selling the shareholdings built up in Latin American carriers since 1989 and hiving off units such as handling and maintenance.

The proposed sale of Iberia's 85 per cent stake in Aerolineas Argentinas and of its lesser shareholdings in Chile's Ladeco and in Venezuela's Viasa signals the end of the airline's ambitions to link Europe and the southern hemisphere. Iberia will clip its wings further with the planned disposal of its domestic subsidiaries Aviaco, Binter Canarias and Binter Mediterraneo.

It is ironic that Iberia should face loss of its Hispanic empire just as Aerolineas Argentinas, its biggest investment, should be starting to post an operating profit. The Latin American strategy could turn out to be a money spinner but the management's inability to control costs and improve its industrial relations record may kill the potential golden goose just as it starts to lay eggs.

EUROPEAN NEWS DIGEST

Irish parties in coalition talks

Ireland's Labour party, the junior partner in the outgoing government, yesterday held talks with both Fianna Fail, its former coalition partner, and the conservative Fine Gael, the main opposition party, in the first steps to break the deadlock over the search for a new government. Fine Gael leader John Bruton described the talks as preliminary. A new Fianna Fail-Labour coalition is still seen by most observers as the most likely outcome. However, Labour's meeting with Fine Gael has raised the prospect that the party may be prepared to accept the suggestion by Labour, the smaller of the two, that Mr Dick Spring, the Labour leader, be appointed as "rotating" prime minister in a rainbow coalition of several parties.

With the Dail, the Irish parliament, due to vote on the issue next Wednesday, the politicians are under mounting pressure to agree terms for a new coalition in the wake of the collapse of the Fianna Fail-Labour coalition last week and the resignation as prime minister of Mr Albert Reynolds.

Rapprochement between Fianna Fail and Labour was briefly threatened yesterday after Mr Reynolds in a farewell speech to the parliamentary party on Tuesday night suggested Labour was trying to push through changes in the controversial abortion law, a suggestion that Labour as quickly denied.

There was speculation last night that Mr Spring, who was foreign minister under the old coalition, will demand a new carve up of ministerial portfolios as his price for re-entering a coalition with Fianna Fail. Labour is said to want finance, while Mr Spring may head a newly established Northern Ireland ministry, as well as an "open government" portfolio. *John Murray Brown, Dublin*

Norwegian EU threat

Norway's principal opponents of joining the European Union yesterday re-affirmed their threat to block accession in parliament if the referendum on Monday results in a narrow vote in favour of membership. With latest opinion polls showing the Yes side narrowing the long-standing lead held by the No campaign, Mrs Gro Harlem Brundtland, the prime minister, strongly attacked anti-EU parties for their refusal to be bound by the referendum result, saying she would consider dissolving parliament if a Yes vote was blocked.

Both the main parties opposed to membership, which together hold three more seats than the number required for a blocking minority, yesterday said they stood by their policy to reserve the right to vote against the referendum result.

Yesterday, three opinion polls showed further gains for the Yes campaign, but they continued to show a No lead ranging from a margin of 44-40 to 47-39. A fourth poll, which eliminated undecided voters, showed a No lead of just 51-49. *Hugh Carnegy, Stockholm*

German output set to rise

Western German companies are revising their production plans upwards for the coming months because of the continuing strong recovery in the economy, Ifo, the Munich-based Institute for Economic Research, concludes in its monthly survey. However, the retail sector in both eastern and western Germany remains one of the few which show little sign of growth, largely because consumer spending is still sluggish. This is despite recent official estimates showing that pan-German gross domestic product will grow 3 per cent next year. The more optimistic response by companies coincides with a record level of investment in eastern Germany for 1994. Mr Günter Rexrodt, the economics minister, yesterday told the Bundestag, parliament's lower house, that a record investment level of DM180bn (£73.4bn), higher per capita than in western Germany, had poured into eastern Germany this year. *Judy Dempsey, Bonn*

Fewer Spaniards out of work

Spanish joblessness edged down to 23.8 per cent of the work force at the end of September from 24.2 per cent three months earlier, according to the economy ministry's third-quarter employment survey.

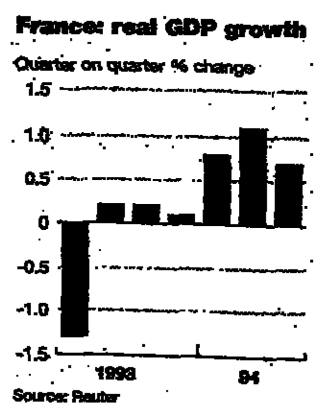
The data confirmed projections there will be a net creation of jobs this year on the back of an economic recovery that, under revised government forecasts, will show a GDP growth of 2 per cent. The number of jobless, according to the survey, dropped by 64,530 between July and September, the biggest fall for the period in four years. Registered unemployment, according to a separate set of figures issued by the labour ministry, stood at 16.7 per cent of the work force at the end of last month after the lowest jobless rise in October since 1989. *Tom Burns, Madrid*

Europol treaty delayed

The treaty granting legal recognition to Europol, the embryonic European police force, has been delayed by disagreement among European Union members, Netherlands' justice minister Winnie Sorgdrager told the Dutch parliament yesterday. Europol was set up in February to share information between EU police forces in their fight against drug trafficking and organised crime. It went into action without a formal legal basis, and the treaty supporting it was scheduled for signing next week. But questions over the treaty's compatibility with laws in member states have put this target beyond reach, the minister said. *Reuter, The Hague*

ECONOMIC WATCH

Rate of French growth slower



France's rate of growth slowed in the third quarter to 0.7 per cent, from 1.1 per cent in the second quarter and 0.8 per cent in the first three months of this year, Insee, the official statistics agency, reported yesterday. Insee also said consumer purchases of manufactured goods fell by 2.5 per cent in October after stagnation in September. But the agency saw "no sign of a break in the recovery", which had been exceptionally strong in the January-June period and was now continuing at a more normal pace. Even if gross domestic product was flat in the fourth quarter, average growth this year would be 2.3 per cent higher than 1993, Insee said.

In the third quarter growth was led by domestic demand, with household consumption rising 0.9 per cent in July-September. This offset the one negative factor – exports, which in volume terms increased only 0.1 per cent in the third quarter after growing 2.7 per cent in April-June. By contrast, import volumes rose by the same 1.6 per cent as in the second quarter. *David Buchan, Paris*

■ Italian industrial producer prices rose 3.7 per cent in the year to September compared with a 3.5 per cent rise in August, the National Statistical Institute reported.

■ EU producer prices of agricultural products in real terms fell only 0.1 per cent in the second quarter from the same quarter last year, Eurostat, the EU statistical office, reported yesterday. This, Eurostat added, suggested a halt in their decline since 1989.

■ The fall in the west German inflation rate is gathering pace, according to preliminary data from two key states, published yesterday. Consumer prices in North Rhine-Westphalia, the most populous state, rose 0.1 per cent in the month to mid-November. The annual rate was 2.5 per cent, after 2.7 per cent in October, and the lowest since March 1991, the regional statistics office said.

A 0.2 per cent month-on-month rise in Baden-Württemberg brought the annual rate there to 2.4 per cent after 2.6 per cent last month.

NEWS: THE AMERICAS

Resignation triggers Mexico shockwaves

By Ted Bardacke in Mexico City and Stephen Fidler in London

The resignation of Mexico's deputy attorney-general over claims that senior ruling party officials have obstructed investigations into the assassination of his brother has delivered another shock to the country's political system.

Mr Mario Ruiz Massieu resigned as deputy attorney-general, member of the ruling Institutional Revolutionary party (PRI), and lead investigator into the killing of his brother, Francisco, which he claims was ordered by a powerful group of PRI politicians. Francisco was, at the time of his death, secretary-general of the PRI.

One week before Mr Ernesto Zedillo takes over the presidency, the accusations have generated much noise, heat and smoke in the febrile atmosphere of Mexico's political system. But it is not clear yet whether Mr Ruiz, whose brother was shot in September, has tossed a bomb or a firecracker at the ruling party.

The weeks before the six-yearly handover of power in Mexico are, in any case, usually highly charged. In the relative political vacuum that exists before power is handed over, stunning accusations are often levelled at powerful political figures, and the cracks quickly covered up once the new president takes power.

That may be more difficult on this occasion, given the greater freedom now enjoyed by parts of the Mexican media. Mr Ruiz's accusations and resignations were delivered on live television and witnessed by a packed room of family members, politicians and journalists who applauded every digging statement.

Political analysts say Mr Ruiz's moves make more likely a bold political gesture from Mr Zedillo as soon as he takes office.

Such a move would be reminiscent of President Carlos Salinas's decision to arrest the head of the oil workers' union, Mr Joaquin Hernandez Galicia, when he took office, and would stamp his authority on a feuding ruling party.

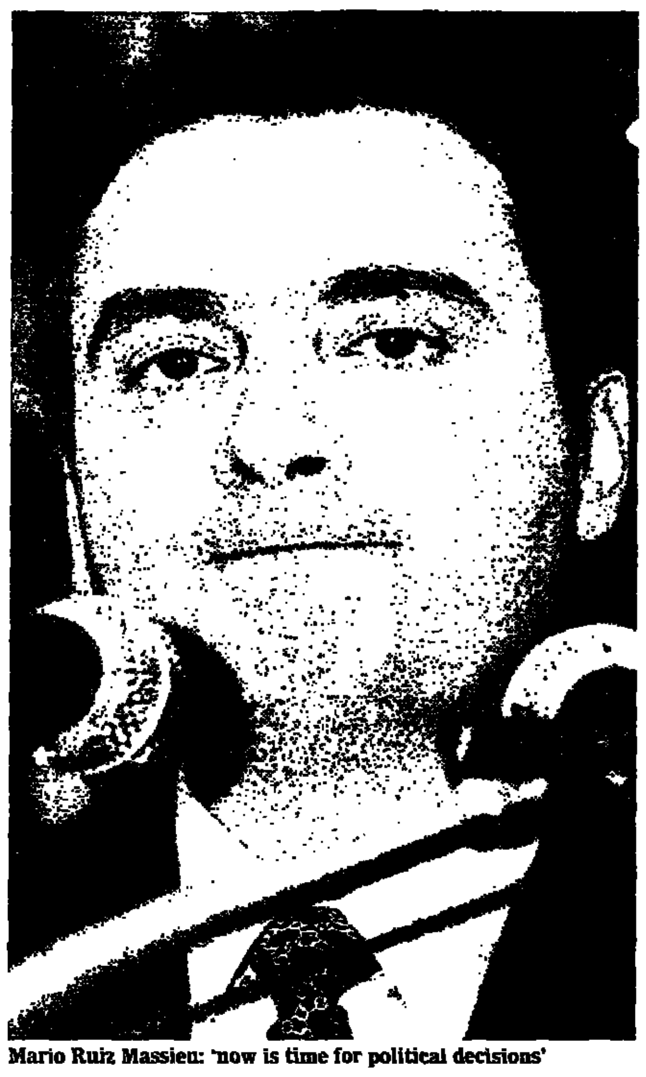
They also increase the pressure on him, they argue, to pursue the reform he has already promised of the judiciary. This would head off minor scandals before they became big political incidents.

In Washington on Wednesday Mr Zedillo said he would give the assassination investigation priority in his new administration and said he was anxious to receive all information about the case from Mr Ruiz.

Mr Ruiz said he would hand his "proof" that senior officials obstructed justice – which has yet to be seen – over to a notary public, who would hold it for Mr Zedillo. Mr Zedillo, said Mr Ruiz, would then have to demonstrate the "political will" to continue investigating members of his own party once he became president.

Yesterday the attorney-general, Mr Humberto Benitez, and the president of the RPI, Mr Ignacio Pichardo, renewed their demands that Mr Ruiz present proof that they conspired to obstruct the investigation of the assassination.

In a message to Mr Zedillo, Mr Ruiz said the alleged obstruction meant "now is the time for political decisions instead of police investigations". Mr Ruiz said that "those who obstructed the investigation will surely receive jobs in the next administration" and that they "were more powerful than the truth and justice the president sought".



Mario Ruiz Massieu: 'now is time for political decisions'

State of Missouri contests desegregation plan

White House to enter battle over education

By George Graham in Washington

The Clinton administration is to intervene in a Supreme Court battle over how much state governments can be held responsible for the wide disparities in educational achievement between black and white and rich and poor.

Mr Drew Days, the solicitor-general, plans to file a brief on the side of parents and the local school district of Kansas City, Missouri, against a lawsuit brought by the state of Missouri seeking release from a costly court-ordered plan to desegregate its schools which has required it to put more money into schools in poor areas.

At the heart of the case is an argument over how much the state has to do to prove it has reversed the effects of decades of racial segregation in schools: is it enough to spend \$1.3bn (£828m) on specialised "magnet" schools drawing pupils with particular abilities or interests from outside their catchment areas and other educational facilities, complying literally with the court's orders, or must it also bring the test scores of black children in the district up to national levels to prove the success of the desegregation plan?

The court decision is potentially far reaching, with more than 100 school districts under similar court orders.

Mr Jeremiah Nixon, Missouri's attorney-general, is asking the Supreme Court to reverse a federal appeals court ruling which he argues departs from previous law by holding the state responsible for low student achievement levels.

Justice department officials say the state must prove that it has done everything it reasonably could to ensure the success of the desegregation plan before it can be released from the court's supervision.

The case, which is to be argued before the Supreme Court in January, is believed to be the first school desegregation case in which the Clinton administration has taken sides. The administration of former President George Bush generally sided with school boards seeking to be released from court-supervised desegregation plans.

Responsibility for education in the US is delegated principally to the states and to 15,000 local school districts, which are massively uneven in funding and educational achievement. With no national curriculum or examination, high school graduation standards vary widely.

A recent survey by the Organisation for Economic Co-operation and Development criticised "the extreme and unjustifiable disparity of service quality between affluent and poorer communities".

The Clinton administration is working with state governors to establish national educational standards under the "Goals 2000" legislation signed earlier this year. But the federal government has little leverage to make states bring their poorer districts up to these standards.

A 1973 Supreme Court decision that education was not a "fundamental interest" means that the unequal distribution of education funding cannot in general be challenged under the US constitution, but racial equality laws do provide the federal government with the means to hold state governments to some standard.

Menem begins long campaign for re-election

A split opposition boosts his chances, writes David Pilling

A week is a long time in politics but, when it comes to Argentine election campaigns, six months is not considered overlong. Nearly half a year before next May's presidential elections, Mr Carlos Menem last weekend officially launched his re-election bid at a huge rally of Peronist faithful on the outskirts of Buenos Aires.

President Menem, having earlier this year engineered constitutional reforms enabling him to seek a second term, has now begun the process of ensuring four more years in office. To win outright he needs 45 per cent of the vote, or more than 40 per cent provided he is 10 points clear of the next candidate.

The president's aspirations, which had been dulled earlier in the year by sagging popularity and the gathering strength of the opposition Frente Grande coalition, received a shot in the arm last month when fellow Peronist Governor Eduardo Duhalde scored an important victory in the province of Buenos Aires. Mr Duhalde, mirroring Mr Menem's constitutional tinkering, won 61 per cent of electoral support in a plebiscite proposing that he be allowed to stand again as governor.

Although Mr Duhalde's win may have owed as much to his personal style of leadership as to general approval for the Peronist national agenda, Mr Menem was quick to claim the victory as his own. "This is a vote for my government's model," he said.

Mr Menem's claim was partially endorsed by a recent opinion poll which suggested he would win the forthcoming election, without the need of a second-round run-off, by polling nearly 44 per cent of the vote, against 20 per cent each for the Frente Grande and Radicals.

Just as Mr Menem sought to take credit for the governor's victory, so too has his party been keen to scotch rumours of a power struggle between the president and Mr Duhalde, who has made no secret of his presidential aspirations in 1999. Mr Duhalde is considered more of an old-fashioned populist and is thought to dislike some aspects of the government's often painful economic restructuring policies. He has made several calls for a return to "the politics of work", an implied criticism of unemployment, which now exceeds 10 per cent.

But any signs of discord within the governing party are outweighed by the bitter infighting of the opposition, the two most important sectors of which – the Radicals and the Frente Grande – will nominate their presidential candidates on Sunday.

The Radical party, the traditional counter to Peronism, has virtually split into two wings, represented by presidential hopefuls Mr Federico Storani and Mr Horacio Massaccesi. The two have fought a bruising pre-election campaign, with Mr Storani accusing his opponent of ideological capitulation to the governing Peronists. Mr Storani has hinted that, if nominated, he may be willing to forge an electoral pact with the Frente Grande coalition in order to mount a serious challenge to Mr Menem.

The Radical party has lost much credibility as an opposition force since its leader, former President Raúl Alfonsín, yielded to Mr Menem's wishes and supported the constitutional changes that may well deliver the Peronists a second presidential term. The Radicals are also remembered as the party whose government led to a period of hyper-inflation; Mr Alfonsín admitted recently that "the economy exploded in our hands".

The void left by the Radicals has in part been filled by the Frente Grande, a centre-left coalition headed by Mr Carlos "Chacho" Alvarez, a charismatic Peronist dissident. The Frente, which shot to prominence in April's constitutional assembly elections – when it defeated the Peronists in the federal capital of Buenos Aires – is the great hope of those wishing to unseat Mr Menem.

But the Frente has also been racked by unseemly internal squabbles and may be losing ground. It has also failed to establish itself as an important force outside the capital and is not yet much more than a loose alliance of the disenchanted middle classes.

Mr Alvarez, partly in mind of the defeat in Brazil of Mr Luís Inácio Lula da Silva, is seeking to reposition himself in the camp of the moderate, electable, centre. But this stance has disenchanted the coalition's more radical contingent, part of which has broken off into a separate faction.

Mr Alvarez, who has so far campaigned mainly on an anti-corruption platform, is now seeking to persuade voters and businessmen that he will not overhaul Mr Menem's economic model. He advocates instead a shift from "fundamentalist neo-liberalism" to a "more harmonic, egalitarian growth model".

Mr Rosendo Fraga, a political analyst, says the Frente has much to do if it is to persuade the electorate, scarred by the memory of hyperinflation, that it can risk a potentially destabilising change of government. Mr Fraga also believes that, to have any chance of success, the Frente will have to reach some sort of electoral alliance with the Radicals, a prospect which is only possible if Mr Storani wins the Radical nomination this weekend.

For the moment the Peronists can afford to sit back in the hope that the opposition will self-destruct. Mr Menem does not enjoy the levels of popularity that he did a few years ago but, unless the opposition is able to rally behind a single flag, this is unlikely to prevent the president riding home to a second term.

Zambia airline sell-off row may hit aid

By Michael Holman in Harare

A dispute between the Zambian government and international donors over privatisation of the state-owned national airline could jeopardise external support for the country's economic recovery programme.

The row stems from the government's decision to use a $30m (£19m) oil purchase facility, provided by a Kuwaiti bank, on behalf of the heavily indebted Zambia Airways.

Donors, who have met government twice this week, say it contravenes an agreement with the International Monetary Fund which includes a ceiling on public sector borrowing, and fear that the government may be backtracking on a commitment to privatise the airline.

Donors and government officials are due in Paris on December 5-6 for World Bank chaired conference to review progress under the reform programme, and discuss future funding.

Failure to resolve the dispute could result in donors withholding aid.

Zambian government officials have strongly defended the use of the oil facility, arguing that it does not break the IMF deal, and insisting that they intend to privatise the airline.

The facility was originally negotiated by the Zambia Industrial and Mining Corporation (Zimco), the holding company of all Zambia's state-run enterprises, and has been used to finance oil purchases by Zamoil, the government fuel agency.

Zambian officials point out that the rolling loan is replenished through the sale of the oil in Zambia, with the local currency proceeds being converted to US dollars.

They argue that they are co-ordinating the needs of Zamoil with the short term refinancing and restructuring of the airlines' debt, and have paid off arrears which otherwise would have left some aircraft impounded.

This will also allow time to implement a radical cost cutting plan. It includes reducing staff from 1,300 to 500, closing and selling all offices outside southern Africa except London, and selling much of the airline's property in Lusaka, including staff housing and a hotel.

Some leading donors express scepticism, however, and have interpreted the government move as a last ditch attempt to avoid privatising the airline.

They fear it also may signal a weakening of commitment to privatisation of the state-owned copper mines, which donors believe is essential to the recovery plan undertaken by President Frederick Chiluba on taking office three years ago.

The government faces elections next year, and privatising the airline, and in particular the mines, faces considerable electoral opposition.

But any weakening of government resolve would reduce donor support of $700m-$800m a year, say aid officials.

Earlier this year, the government had seemed prepared to let the airline go to the wall. In a letter to Zimco, finance minister Ronald Penza wrote: "The government is left with no option but for the airline to go into voluntary liquidation."

A year ago the International Air Transport Association (Iata) suspended the airline over arrears exceeding $5m. The airline's DC-10 was grounded over other debts, and earlier this month a New York bank seized airline assets when seeking payment of a $1m debt.

Zambia Airways has accumulated a loss of $37m over the past two years. A further obligation stems from a 1990 order for a McDonnell-Douglas aircraft due to be delivered in 1996.

If cancelled, it will cost $25m; if the order goes ahead, the aircraft will cost $132m.

China talks moving too fast for some Taiwanese

Officials worry that Taipei's economy will become captive to the mainland, write Tony Walker and Laura Tyson

Talks between China and Taiwan on improving working relations inched forward this week in Nanjing, the Yangtze river town, but at the trading and investment level the relationship continues to progress strongly, too strongly for some Taiwanese officials.

Pledged Taiwanese investment in the mainland exceeds $20bn (£12.5bn), making it the second largest investor after Hong Kong. More noteworthy perhaps is the rate of investment. While investors from Hong Kong, Singapore, and Thailand have been active since the mid-1980s, Taiwanese businessmen really got started in 1991, the year Taipei lifted its formal ban on business links with the mainland.

According to the mainland-published China Economic News, Taiwanese investment amounted to $3.4bn in 1991, $5.5bn in 1992 and $10bn last year, a total of nearly $19bn by the end of 1993. This estimate vastly exceeds official Taiwanese investment figures ($4bn at the end of June), the Investment Commission of the Ministry of Economic Affairs says.

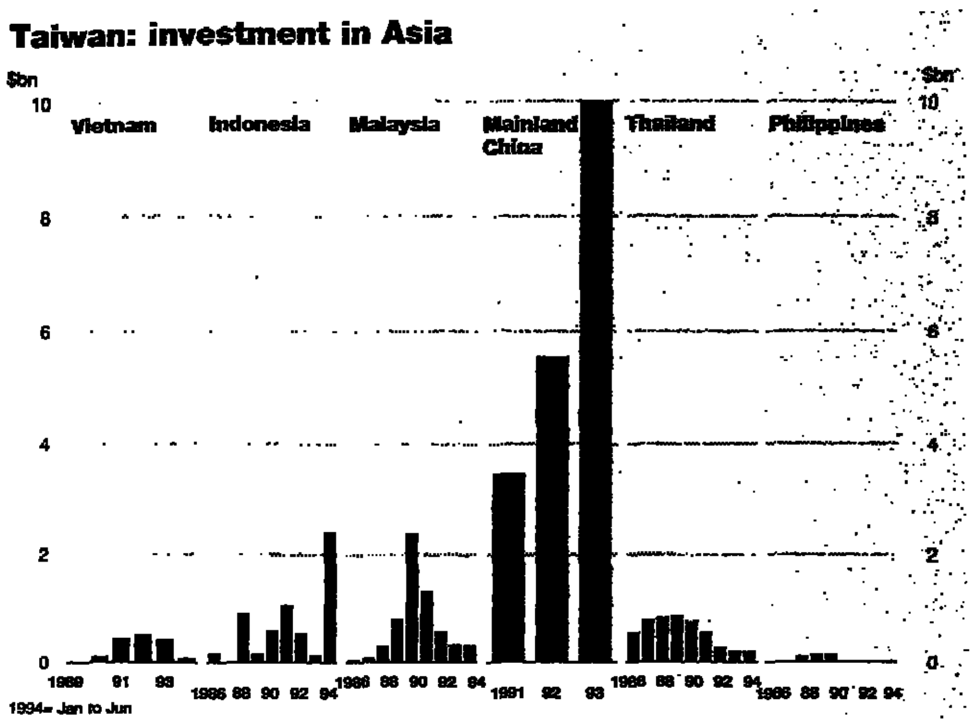
One explanation for this discrepancy is that many Taiwanese have chosen not to report their activities. Some have channelled their investment through subsidiaries in Hong Kong and Singapore.

Taiwanese officials appear resigned to the fact that investment in the mainland will continue to grow rapidly, but their attitudes sometimes show two differing viewpoints. On one hand they can see real advantages in Taiwanese business positioning itself in the world's largest market, on the other they worry understandably about Taiwan's economy becoming captive to China, and investment being drained away from Taiwan.

Mr Hansen Chien, spokesman for the ruling Kuomintang, reflecting gloomy concerns of the Taiwanese establishment about becoming caught up in the mainland's embrace, said: "We are getting more worried about too much investment in mainland China. We are becoming too dependent on the mainland."

At a political level, Mr Chien also gave voice to underlying Taiwanese worries: "Every time we talk with mainland China," he said, "it seems we are losing more and more of our chips. We don't have too many chips to lose. Every time we throw out a chip, we should get something back."

Attempts by the authorities to mount what they describe as a "go south" policy to persuade investors to put their money in south-east Asian economies is one among several responses aimed at tempering enthusiasm for mainland investment.



"We are encouraging our people to go to south-east Asia, but not discouraging them investing in the mainland, on condition we derive mutual benefit," says Mr Leo Tseng, deputy director-general of the Board of Foreign Trade.

Taiwanese investment at the end of 1993 in Thailand, Malaysia, Philippines, Indonesia and Vietnam, the main destinations for Taiwan's south-east Asian investment, matched that of investment in the mainland; but again the build-up of investment in China is proving much more rapid (see chart).

Typical of attitudes among larger investors to putting their money in the mainland as opposed to south-east Asia is that expressed by representatives of President Foods Group, the big Taiwanese food processor that has ambitions of becoming the world's biggest food conglomerate.

The company has set up four factories in south-east Asia but targeted the mainland because executives believe it provides better opportunities. President Foods is establishing 12 companies involved in making a wide range of products, including instant noodles, biscuits, animal feed and car batteries. Since 1992, it has invested $100m, with plans to double that figure.

But its representatives acknowledge that business in the mainland remains extremely difficult: among problems is a lack of managerial talent and difficulties in securing market share in a highly fragmented market where local brand loyalties dominate. Transport bottlenecks militate against the building of national brands.

Taiwanese officials point out that while thousands of Taiwanese businessmen are continuing to rush to the mainland, the success rate is patchy, at best. Mr Steven Wu, director of the Industrial Development and Investment Centre of the Ministry of Economic Affairs, estimates that 30-50 per cent of enterprises are making money.

"The rest have had a very sad experience," he says. Problems encountered include overmanning, bureaucratic obstacles and difficulties with local partners. Mr Wu noted that the success rate of investments in south-east Asia was higher.

But it seems that despite well publicised difficulties, Taiwanese investors are determined to make their presence felt on the mainland, attracted as they are by low labour costs, a huge market, and in some cases propelled by a desire to escape from an increasingly active environmental lobby in Taiwan.

Mr S Lee, vice-minister in the Ministry of Economic Affairs, responsible for overseeing approvals for mainland investments, believes investment growth will slow, but notes Taiwanese businessmen are beginning to make larger commitments.

Mr Lee said that of the "whole list" of 9,000 items covered by investment guidelines, Taiwanese business was permitted to make about 4,588 on the mainland, another 4,000 items were in a "grey area", meaning approval would be withheld for the time being, and about 1,000 "high-tech" items were forbidden.

Industries in the "grey area" include cement factories and petrochemical plants involved in producing synthetic fibres, in which Taiwan leads the world. The authorities are reluctant to allow competing industries to move across the Taiwan Straits.

Mr Lee says: "We are reviewing our policy (on investment approvals) cautiously and progressively". The problem for the Taiwanese authorities, however, is that pressure from Taiwanese business is such that it is having great difficulty holding the line.

Taiwan tycoon sets off court skirmish

By Laura Tyson in Taipei

Mr Oung Ta-ming, a Taiwanese tycoon suspected of illegal share dealings, provoked a courtroom skirmish between his bodyguard and the bailiff when he refused to pay T$1m (£24,200) bail set by the Taipei district court to which he was subpoenaed for questioning yesterday.

Friends of Mr Oung rallied to meet his bail as he resolutely denied that he had played any role in the share speculation case which led to a chain of share payment defaults and rattled the Taiwan stock market early last month.

As an elected member of Taiwan's Legislative Yuan, or parliament, Mr Oung may not be arrested or detained without the permission of the legislature unless caught in the act of committing a crime, under the country's constitution.

Mr Oung apparently sought to force the court into the position of having to secure approval to arrest him.

During questioning, Mr Oung, effective chief of Hualon-Teijran Corp, a listed textile concern, blamed the Taiwan Stock Exchange for the incident that sparked a 14 per cent plunge in share prices in one week.

He said the exchange's failure to enforce a newly instituted "self-protection clause" made financiers refuse to continue backing his chief aide, Ms Li Hsiu-fen, thus precipitating the defaults crisis.

Earlier this year, Hualon-Teijran committed to invest £160m to build a textile plant in Northern Ireland with £61m in subsidies from the UK government.

The Taipei district attorney's office is believed to have documented evidence of financial links among Mr Oung, Ms Li and other unnamed providers of funds to speculation in shares of Imperial Hotel.

But Mr Oung denied such links, saying it was a mistake to take evidence of financial flows as proof of his role in deals involving the share price. He was simply helping his friends and employees, he said.

"For several years now I have entrusted all funds to Ms Li Hsiu-fen, including even my cheque-book," he told the Taipei district attorney, asserting: "I stopped paying attention to these matters long ago."

Ms Li, also brought in for questioning yesterday, tearfully told prosecutors that although she had traded heavily in Imperial Hotel shares, she did not rig the share price.

Ms Li has been in detention since early October. No date was set for further proceedings.

Defence spending split threatens Japan's rulers

By William Dawkins in Tokyo

A split over defence spending has opened in Japan's three-party ruling coalition of conservatives and socialists, threatening the government's stability.

The dispute, over the rate of increase for next year's defence budget, intensified yesterday when finance ministry officials announced they were pushing for a lower rise next year than the 0.9 per cent set by the coalition in August, a month after taking office.

This strengthens the hand of the pacifist Social Democratic party, the second largest coalition partner, an unusual ally for the finance ministry.

The Socialists felt they were coerced into agreeing the 0.9 per cent rise by the dominant coalition member, the conservative Liberal Democratic party.

"It is our duty to chart a clear course for disarmament," said Mr Wataru Kubo, the Socialists' deputy leader. Mr Kozo Igarashi, chief cabinet secretary, denied the government would reduce the figure.

Socialist politicians fear they have alienated traditional supporters over the past few months by discarding most of their party's former policies, such as opposition to the military's constitutional right to exist and opposition to sales tax, in order to form a government with the LDP.

As a result, they are eager to demonstrate progress on pacifism, one of the few policies the party still retains.

Failure to agree on the defence budget would increase pressure on a group of dissidents, orchestrated by Mr Kubo, to form their own party. If the Socialist party broke up, the government could be deprived of a majority.

The LDP's proposed rise, while the lowest for 33 years, would bring Japanese defence spending to Y4,730bn (£30.3bn). It is the second largest defence budget in the world, inflated by the yen's rise in value and huge pension and social security payments.

On the outcome also hang the hopes of several foreign defence-equipment suppliers, awaiting finance ministry clearance before their contracts can proceed.

Bank of Zaire's chief dismissed

Zaire's President Mobutu Sese Seko has dismissed the head of the Bank of Zaire, ending a four-month battle of wills between the central bank governor and Mr Kengo Wa Dondo, prime minister, Reuter reports from Kinshasa.

Zairean state radio yesterday said that Mr Mobutu had signed a decree on Tuesday dismissing Mr Ndiang Kaboul, his own appointee. Mr Ndiang has been fighting to save his job since Mr Kengo's government suspended him in July, accusing him of fuelling hyperinflation by flooding the market with millions of new zaire notes.

A parliamentary committee earlier voted for Mr Ndiang's dismissal after an audit found he had made huge unauthorised payments in defiance of a government freeze on central bank transactions.

Economists regard establishing the autonomy of the Bank of Zaire, which in the past has been tapped for funds by Mr Mobutu and his army generals whenever they ran short of cash, as the key to rescuing Zaire's wrecked economy.

The appointment of the centrist Mr Kengo in June broke a long political stalemate between supporters and opponents of Mr Mobutu.

He quickly made the independence of the bank a central policy objective and, during a tour of western capitals last month, he was repeatedly told that investors would not put money into Zaire unless he could guarantee the bank's independence.

Russia raises its Gulf profile

Conservative Arab states have something to gain, writes John Lloyd

Mr Victor Chernomyrdin, the Russian premier, returns to Moscow today having lifted the Russian profile among the conservative Arab states of the Gulf. Also, he may have achieved a diminution of the suspicion that Russia remains inheritor not just to the property and treaties of the Soviet Union, but to its alliances with the radical states of Syria, Libya and Iraq.

"Not so," says Mr Valery Kuzmin, deputy head of the Russian Foreign Ministry's Middle Eastern and North African department.

"The changes in the ideological position of the Soviet Union were coming evident in the late 1980s; we officially ended the period of confrontation in the Middle East in 1991; now we are partners in the peace process (in Israel/Palestine) and our interests are to support the development of economic ties."

Kuwait was the most difficult stop on the trip. Still fearful of President Saddam Hussein's Iraq, the Kuwaiti leadership saw the visit to Baghdad by Mr Andrei Kozyrev, Russian foreign minister, as suspicious, even when he won Baghdad's apparent recognition of Kuwait.

"We wanted to reassure Kuwait and the other states we did not have something going on with Iraq behind their back. The visit was important in that regard, a sign of the importance we attach to good relations with these states after a time when it was said, wrongly, that we had lost interest in them."

Mr Chernomyrdin signed five fairly standard agreements on economic co-operation, information exchange and investment protection. Mr Oleg Davydov, Russian trade minister, noting Arab capital usually came into Russia through western intermediaries, told his Kuwaiti hosts: "It would be more profitable if the money was invested directly."

Mr Chernomyrdin got nowhere on the Russian debt to Kuwait of $1.1bn (£687m), nor did he manage to unfreeze a credit promised in 1992.

The Kuwaitis were not interested in a plan to restructure the debt along similar lines to that achieved in the Paris club of western creditors; the form of words said only the two sides had reached "a common understanding on the issue of the possible reconstruction of the debt". But contracts worth $750m were signed to deliver to Kuwait Russian armoured personnel carriers and other equipment, though it is not known what part, if any, of that is to be written off against the debt.

The United Arab Emirates, closest to Russia of all the Gulf states, has concluded military contracts Russian experts say are worth up to $3bn and include joint production of a new SU-37 fighter (a version of the SU-35).

The Russian debt to the UAE is $550m, with arrears on interest payments of more than $60m, according to the Interfax news agency. No decision on deferment, or of the use of the military shipments to pay off the debt, has yet been announced.

Mr Chernomyrdin had most to gain from Saudi Arabia, but seems to have achieved little but formal agreements. The Saudis opened an embassy in Moscow only after the fall of the Soviet Union and remain distant. A claim by Mr Davydov of an agreement to put off repayment of $250m owed by Russia to a group of Saudi banks was flatly denied by Mr Mohammed Ali Aba al-Khail, Saudi finance minister, who said the banks demanded full repayment immediately.

For these wealthy states, Russia is of moderate interest.

Chernomyrdin: he may have lessened fears that Russia is heir to the Soviet Union

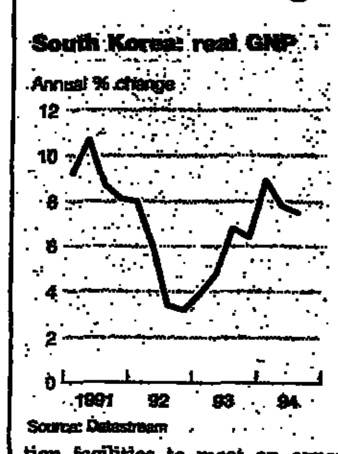
It is indigent, and has better links with the radical states. But it offers a chance to diversify arms purchases and put some pressure on the west; it is an active partner in the Palestinian-Israeli peace process; its economy may be chaotic but offers high quick returns in some spheres, and may become stable soon; its diplomacy remains skilful and its memory long. Both sides had something to gain.

INTERNATIONAL NEWS DIGEST

Further Gaza clashes likely

Further confrontation between the Palestine Liberation Organisation and Islamic militants is expected today when the militants hold a big rally in Gaza amid growing evidence that Palestinian police were largely to blame for last Friday's killing of 12 people. The Hamas Islamic Resistance Movement has refused formally to sign an accord with the PLO to calm tension in the Gaza Strip and ban weapons at public rallies until the PLO accepts responsibility for last week's violence. But PLO efforts to blame the incident on a conspiracy against the Palestinian self-rule authority are being widely discredited and there is growing evidence to support the Hamas version of events. The PLO accused the opposition of provoking violence by firing on police and said evidence for the claim was supported by the fact that among the dead were one policeman and eight activists of the Fatah faction, the PLO's largest political group. *Julian Ozanne, Jerusalem*

South Korea growth slows



Source: Datastream

South Korea's gross national product growth rate slowed down in the third quarter to 7.5 per cent because of a summer drought that affected agriculture, the central bank said yesterday. Economic growth has gradually declined from 8.9 per cent in the first quarter and 7.8 per cent in the second. The economy has expanded by 8 per cent during the first nine months of 1994. But the third quarter posted the biggest jump in industrial investments, at 23.4 per cent, since the beginning of 1988. Companies are expanding production facilities to meet an export boom caused by the weak Korean currency. Private consumption rose by 7.6 per cent during the third quarter, raising concerns of growing inflationary pressure. Inflation is now hovering just below the government's target of 6 per cent for this year. *John Burton, Seoul*

Beirut blames Paris on air deal

A Lebanese parliamentary committee said yesterday the French government was responsible for Beirut's loss of millions of dollars in a 1983 helicopter deal, and demanded Paris investigate the case. The committee investigating the deal said it wanted Beirut "officially to ask the French government, which bears responsibility for breaching the contract, to uncover the identity of French accomplices with Lebanese officials". Under the agreement Lebanon paid for six French Puma helicopters but received much cheaper Romanian-assembled ones from Paris. The committee said it wanted the Lebanese government to hold Paris responsible for the loss resulting from the deal – put by one committee source at about $30m (£19m). It said it was holding General Ibrahim Tannous, former head of the Lebanese army, "responsible for negligence" resulting from the deal, known locally as the Puma Scandal. *Reuter, Beirut*

Murdoch China channel boost

Mr Rupert Murdoch's Star television, the satellite network based in Hong Kong, bolstered its tenuous foothold in China yesterday when officials approved limited distribution of its movie channel in Beijing. Broadcast authorities confirmed a Beijing Daily's report that new rules had been issued allowing narrow segments of the population to apply for licences and signal decoders needed to watch Star's satellite movie channel.

The rules mainly affect foreign tourists in hotels and foreigners and overseas Chinese in special housing compounds, but include three-star hotels patronised mainly by local Chinese. Star television is controlled by Mr Murdoch's News Corporation. Using AsiaSat-1, its footprint covers north Asia with four channels in English or Chinese and a movie channel, whose signal is encrypted. *Reuter, Beijing*

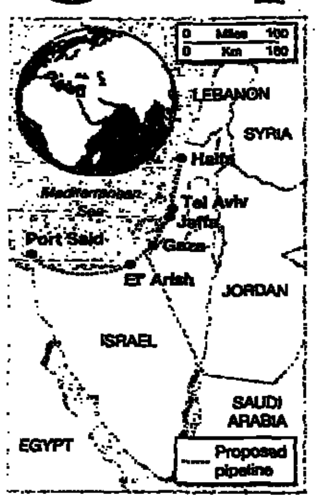
EU 'must release Rwanda aid'

Two big aid agencies will today urge the European Union to release a mountain of aid for Rwanda they said was blocked by demands which could not be met without the funds. The international medical agency Médecins Sans Frontières and the British charity Oxfam said their work in saving the lives of hundreds of thousands of Rwandan refugees was in vain unless Rwanda could rebuild. "While the new administration in Rwanda struggles to rebuild .. without tables, chairs, pens and paper, EU development ministers sit on an unspent Ecu 159m (£125m)," they said. They implored EU development ministers meeting in Brussels today to unblock funds to enable Rwanda to create conditions to foster justice, national reconciliation and basic services. The new Rwandan government says it cannot properly foster national reconciliation after the massacre of up to 1m people and three months of civil war without international aid. *Reuter, Nairobi*

NEWS: WORLD TRADE

Egypt forms gas-to-Israel venture group

By Mark Nicholson in Cairo



Egypt has taken the first steps towards the eventual export of gas to Israel by forming a $150m joint venture company with two oil companies, Amoco of the US and ENI of Italy. The venture plans to build a gas pipeline from Port Said, at the entrance of the Suez Canal, to the Israeli border.

The state-owned Egypt Gas will own one third of the company, with Amoco and ENI each holding a third. Company and Egyptian officials said the joint venture would build a series of gas pipes in Egypt, with the export pipeline to Israel a priority.

At the Israelis' request, Egyptian and Israeli officials held a series of high-level talks about exporting Egyptian gas over the past year. Mr Hamdi al-Banbi, Egypt's oil minister, then agreed in principle to the project, but said exports would depend on a substantial rise in Egypt's provable reserves.

The announcement of the joint venture company follows a recent series of gas discoveries in the Nile Delta, the Mediterranean basin north of Sinai and the Western Desert. These have lifted Egypt's proven gas reserves to 21,000bn cubic feet. Egyptian officials said they believed that this would soon rise to 24,000bn cubic feet.

The leap in reserves, which stood at only 12,000bn cubic feet a year ago, will enable Egypt both to continue its long-standing programme to turn all the country's electric stations over to gas power while also allowing exports, officials said.

The new company, which must still win formal approval from the country's General Investment Organisation, is expected to start work next year on the proposed 250km pipeline to Israel at an expected eventual cost of $300m.

Egyptian officials said they did not yet know what volumes of gas might be exported. However, Israeli requirements have been estimated at 200m cubic feet a day in 1998 rising to an eventual 600m cubic feet by the year 2000 – much of it for industrial use.

However, Mr Wafik Meshref, a vice chairman of the state-owned Egyptian General Petroleum Company, said the first pipeline would extend to "Israel, Palestine and even eventually Lebanon, Jordan and Turkey". Mr al-Banbi is understood to have told his Israeli counterpart in August that Egypt could be ready to start exports by 1998.

Mr Meshref said the company was also expected to build a long-awaited pipeline to link recent substantial finds in Egypt's Western Desert to the eventual export pipeline.

At first the export pipeline is expected to be fed from the North Port Said concession, operated by the International Egyptian Oil Company, an ENI/Agip subsidiary. The tract embraces a trio of gas fields with proven reserves of more than 6,000bn cubic feet.

He said the new company could begin building the pipeline next year with completion expected within two years, by which time recent gas finds in the Mediterranean should be coming on stream.

CONTRACTS

Turks call for straits radar bids

Turkey's TDI maritime agency has invited nine international companies to bid for a radar and communications system to control shipping in the Dardanelles, Sea of Marmara and Bosporus straits.

Bids are to be submitted in January 1995. The companies include Germany's Deutsche Aerospace, Raytheon of the US, Mitsui from Japan and the UK's Marconi. Suppliers must provide their own financing for the system, which is expected to take three to four years to install at an estimated cost of $50m-$60m.

The companies will also be asked to bid for a smaller initial phase of the project, limited to the Bosporus alone. Traffic in the straits, linking the Mediterranean and the Black Sea, has increased sharply since the collapse of the Soviet Union as newly independent states in the region increase trade with the rest of the world. *John Barham, Ankara*

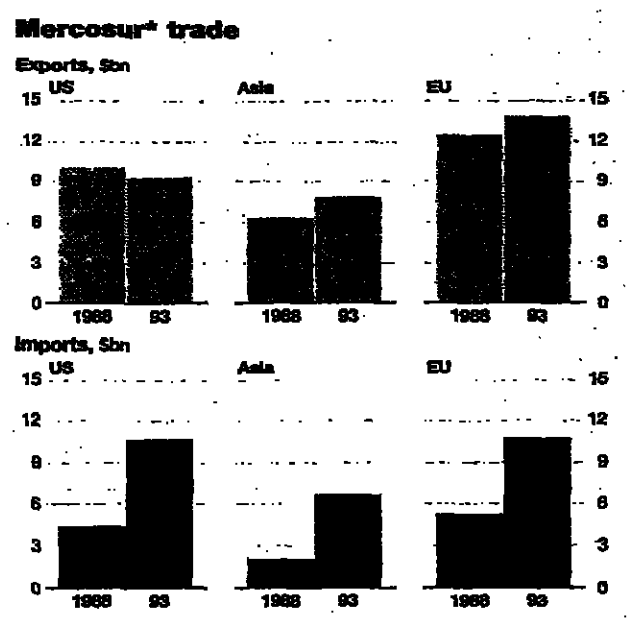
■ Petronas, the Malaysian state oil and gas company, has signed an agreement with Korea Gas for the supply of about $900m worth of liquefied natural gas (LNG) over the next five years. A sale and purchase agreement signed by the two companies says Petronas will supply up to 5.26m tonnes of LNG to Korea Gas. Under an earlier, separate agreement Petronas will supply 2m tonnes of LNG a year to Korea Gas for 20 years starting next June. *Kieran Cooke, Kuala Lumpur*

■ Massload Technologies, of Saskatchewan Canada, will distribute its electronic weighing equipment for commercial vehicles throughout China in partnership with Chinese interests. An initial agreement covers C$40m ($29m) worth of equipment. *Robert Gibbens, Montreal*

EU plans trade zone with S Americans

By David Gardner in Brussels and Stephen Fidler in London

Mercosur* trade



Source: IMF Direction of Trade Statistics

*Argentina, Brazil, Paraguay and Uruguay

The European Union and Mercosur, the South American trade grouping of Argentina, Brazil, Paraguay and Uruguay, yesterday announced plans to negotiate a free trade zone between them.

A proposal from the European Commission to begin negotiations will be considered by EU foreign ministers next Monday. It is expected to be given formal approval by the EU summit in Essen on December 9 and 10.

"The central idea is to work in a realistic and pragmatic way towards a common free trade zone," said Mr Celso Amorim, Brazil's foreign minister, in Brussels yesterday. He and his three South American counterparts met the head of the commission, Mr Jacques Delors, and the commissioner in charge of relations with Latin America, Mr Manuel Marin.

The EU has been the largest trading partner with the four countries since 1986. According to commission officials, the southern cone of South America is by far the fastest growing market for European exports. In 1992, the EU accounted for 27 per cent of Mercosur exports – against 21 per cent for North America, 48 per cent of direct foreign investment and 42 per cent of the group's foreign aid.

No formal timetable was given for a free trade accord with Mercosur. Informally, officials have indicated a free trade zone could be in place by the year 2001. Detailed negotiations are expected to begin next year over trade liberalisation in the short-term, with the ultimate goal of a formal free zone being cemented later. The EU wants to see a Mercosur customs union in place, and a Mercosur institution established with which to negotiate.

A Mercosur customs union setting a common external tariff for 85 per cent of goods will come into force on January 1, with the timetable for the most of the rest already negotiated.

According to the Commission proposal going to ministers on Monday, the aim is "the gradual establishment of a free trade zone in industrial goods and reciprocal and progressive liberalisation of farm trade (taking into account the sensitivity of certain products)".

"This is a bold strategy but we have to move quickly, even if the goal is long term," said one Commission official. The Commission calculates that with free trade in prospect European exports could be expected to grow at nearly double the rate of any other region.

The Mercosur move is one of a number of trade initiatives being directed at areas outside Europe. It is also part of a larger package aimed at Latin America – containing a variety of new and existing policies – expected formally to be announced at the EU summit in Essen.

The timing of the announcement – ahead of the Summit of the Americas hosted by President Bill Clinton in Miami which concludes on December 11 – is not accidental, says Mr Wolf Grabendorff of the Institute for European-Latin American Relations in Madrid.

He says the message is that Europe – having maintained strong economic relations with South America during the debt-distressed decade of the 1980s – does not plan to abandon the region to the US now that it is enjoying some economic success.

The package also includes plans to enhance economic relations with Mexico, and to extend the generalised system of preferences arrangements with the Andean countries and central America.

However, while the EU rhetoric speaks of free trade, the practical difficulties for many South American exporters to Europe have increased over the last five years.

In a speech this week to a conference in Rio de Janeiro, the Brazilian ambassador to London, Mr Rubens Barbosa, said Brazilian exporters face non-tariff barriers, anti-dumping procedures, restrictions arising out of the EU's Common Agricultural Policy, and distortions caused by preferential treatment of countries with privileged relations to the EU.

Improved outlook in customer countries and marketing drive lift prospects

Caribbean tourism promises an upturn

By Canute James in Kingston

Caribbean tourism's high season, which begins in mid-December, promises to be better than hoteliers were expecting. Consistently occupied hotel rooms in Caribbean resorts please not only hoteliers, but also finance ministers. Tourism brought $10bn to the region last year and Caribbean economies have become increasingly dependent on tourism, particularly because of uncertainty in traditional commodity markets.

Recession in the leading tourist markets, particularly in North America, was blamed for a reduction in the growth rate of visitor arrivals. "The economic climate in these major markets has improved, and with it the fortunes of Caribbean tourism," said Mr Jean Holder, secretary general of the Caribbean Tourism Organisation.

Hoteliers are now more confident as advance bookings for the forthcoming season are high. In addition to the improved economic outlook in North America and Europe, the Caribbean has launched a very intensive marketing and promotion campaign.

Initial fears that US military intervention in Haiti would adversely affect tourism have not materialised. The region was visited by 13m stayover visitors last year, and by 8.8m others who came on cruise ships. The tourists spent about $10bn last year, according to the Caribbean Tourism Organisation. This represented a slight improvement in the number of visitors and in expenditure over 1992.

Hoteliers, government ministers and other administrators of Caribbean tourism are, however, frequently reminded of the fickle nature of the tourism industry. Prospects have been enhanced by currency fluctuations; Caribbean currencies are pegged to the US dollar, and the recent weakening of the dollar makes the region a better bargain for European visitors. For North Americans, a European holiday becomes more expensive than one in the Caribbean and two out of every three tourists visiting the Caribbean come from the US.

Competition for Caribbean tourism is coming not only from other established resort regions, but also from the increasing efforts of several US states to offer cheaper and safer holidays as an alternative to the Caribbean following adverse publicity about crime in some Caribbean resorts, an issue nagging the tourism industry.

Caribbean resort countries have implemented a multi-million dollar advertising programme to market the region as a single destination to potential visitors from North America. Prospective visitors make little distinction between countries.

"Regrettably, geography is not a very strong subject," said Mr Carlyle Dunkley, Jamaica's tourism minister. "Many people believe you can take a stroll from Port of Spain [Trinidad] to Port-au-Prince [Haiti], and it is not quite so." Despite the joint marketing of the region, there is increasing competition among several resorts which are seeking new markets.

Sir Colin Marshall, chairman of British Airways, recently warned of the dangers of price cutting. Competing on price and price alone dilutes the quality of the Caribbean tourism product, Sir Colin told a meeting of tourism interests.

"Cut-price competition creates a spiral dive from which it is extremely difficult to recover," he said.

Exchange's secrecy rule is criticised

By Norma Cohen, Investments Correspondent

London Stock Exchange rules which allow the prices of large blocks of shares to be kept secret for up to five days are anti-competitive, the Office of Fair Trading said yesterday.

The exchange declined to comment on the criticism, except to say it is studying the OFT's report on competitiveness in share dealing. But it is understood that the exchange will shortly approve changes to its rules. These will limit the time during which trades can be kept hidden and force immediate disclosure of some large trades which are now concealed.

Until now, the stock exchange and its large, market-making members, have argued that publishing each large trade immediately means that competitors can respond by instantly lowering the price they will offer for the same shares. This practice, they say, led to swingeing losses for marketmakers in the late 1980s when immediate post-trade transparency was required.

The OFT report comes as the Securities and Investments Board, the City's chief watchdog, is also asking whether current trading rules are fair to investors. Regulators, including the Treasury, are concerned that London's standing as a centre for international share trading could be damaged. The SIB is expected to deliver its review early next year.

Submitting the report to the Treasury, Sir Bryan Carsberg, director-general of the OFT, referred to the SIB review. He said he was bringing the OFT report to public attention now "in part in order to inform that process".

"In deciding whether to direct the exchange to amend its rules, you may therefore wish to consider the implications of my report for SIB's continuing work," Sir Bryan said.

The stock exchange's markets committee will meet today to consider the report. The exchange is expected to alter the current rules to cut the time some large trades are kept secret to 60 minutes from 90 minutes.

In addition, trades which may in future be hidden will have to be at least five times Normal Market Size – the average size of each transaction in that share for the previous 12 months. This is an increase from the current threshold of three times NMS. Rules on trade publication only apply to marketmakers – securities firms which agree to buy and sell large blocks of shares through all market conditions.

The OFT report maintained that allowing the trades to be hidden meant that some marketmakers had an advantage over others.

Tory right claims 'slap in face' for PM

By Kevin Brown, Political Correspondent

Rightwing Tory MPs claimed last night that a show of support for a challenge to the chairman of the powerful 1922 committee of party backbenchers amounted to a coded rebuke to Mr John Major's leadership of the party.

Sir Nicholas Bonsor, chairman of the cross-party Commons defence committee, failed to unseat Sir Marcus Fox, who has held the chairmanship of the 1922 committee for two years. In line with normal practice, voting figures were kept secret. But rightwing critics of the prime minister said Sir Nicholas had achieved a "respectable" level of support, reflecting widespread concern about Sir Marcus's unswerving public loyalty to Mr Major.

"This can justifiably be seen as a slap in the face for Major, because Marcus was seen as a close and uncritical supporter," a senior rightwing backbencher said.

Sir Nicholas, a senior backbencher who is generally rightwing on economic matters but allied with the centre of the party on social issues, refrained from any criticism of the prime minister during the campaign.

But his decision to stand followed attempts by Sir Marcus to put public pressure on backbenchers considering voting against the the European Community Finance bill, which will have its second reading on Monday.

Many MPs were annoyed by Sir Marcus's forthright support for the bill, which was interpreted by many as a reversal of the normal role of the 1922 chairman in keeping Downing Street informed of backbench opinion.

Sir Nicholas said there had been "a lot" of support for his challenge, which focussed on a pledge to make the prime minister more aware of backbench feelings, and to adopt a more private approach to liaison between MPs and Downing Street.

"Irrespective of the result, I hope it will encourage much stronger private links between the backbenchers and the government," he said.

Sir Marcus described his victory as "comfortable," but admitted that unease over the strength of his loyalty to the prime minister had been a key factor in the contest.

EU cash battle stretches MPs' nerves

By Kevin Brown

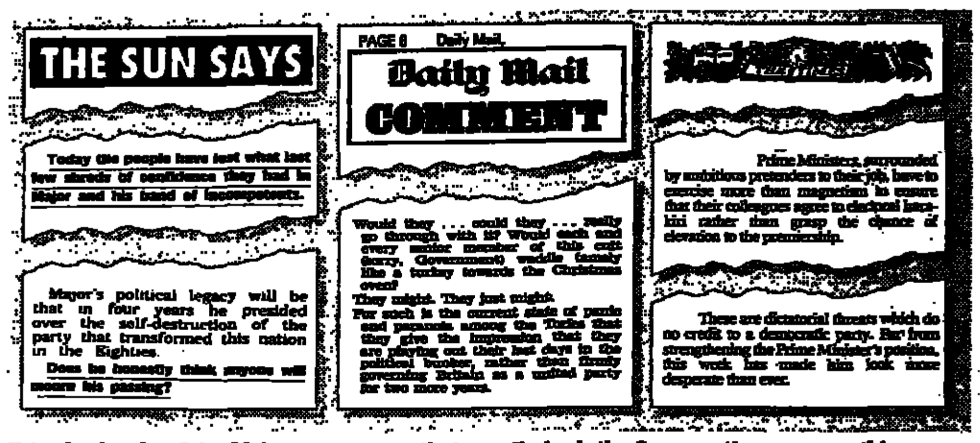
The corridors of the House of Commons were yesterday buzzing with speculation about the outcome of Monday's vote on European Union finances.

But as government whips anxiously counted and recounted their lists of loyal backbenchers, it became clear that the government's future rests on the willingness of Tory rebels to vote for a Labour amendment.

Mr Bill Cash, a leading Eurosceptic Tory backbencher, sought to set the agenda early in the day by drafting an amendment giving the Commons public accounts committee powers to block Britain's EU contributions.

The Eurosceptics know that the amendment is unacceptable to the government, because it would set up a mechanism making it impossible for the government to give the EU guarantees that payments would be made when they become due.

The intention was twofold: to make the Eurosceptic view crystal clear; and to provide an opportunity for Labour, the official opposition, to maximise the potential vote against the government by adopting the rebels' tone and language.


THE SUN SAYS

Today the people have lost what last few shreds of confidence they had in Major and his band of incompetents.

Major's political legacy will be that in four years he presided over the self-destruction of the party that transformed this nation in the Eighties.

Does he honestly think anyone will mourn his passing?

PAGE 6 Daily Mail

Daily Mail COMMENT

They might. They just might.

These are dictatorial threats which do no credit to a democratic party. Far from strengthening the Prime Minister's position, this week has made him look more desperate than ever.

Friends abandon John Major: newspapers that usually back the Conservatives were scathing

In the event, Mr Tony Blair, the Labour leader, tabled a toughly worded motion deploring fraud and waste, but couched in terms that make it unlikely that most of the rebels will dare to support it.

When MPs decide the issue, at about 10pm on Monday, the Labour amendment will be voted on first. If it succeeds, it would delay implementation of the increased contributions until 1996 because no bill can be tabled twice in one year.

That, however, would be academic because the success of the amendment would be regarded as a government defeat on an issue of confidence, prompting an immediate request by Mr John Major for a dissolution of parliament and a general election.

More probably, the amendment will be defeated, and there would then be a vote on the second reading of the bill – giving formal approval to the principle of the legislation. The division would be a sham because the failure of the amendment would have demonstrated that the rebels were not prepared to defeat the government.

If that happens, Labour says it would abstain. Other parties might follow suit, presenting the government with a resounding victory.

● Mr Patrick Nicholls resigned from his post as Conservative party vice-chairman after making an outspoken attack on the French and Germans in his local newspaper.

The former minister said he "bitterly" regretted any embarrassment he might have caused to the government in the article, which was disowned by Conservative Central Office.

Mr Nicholls blamed his bad back for his tirade.

He said he had been "in agony" for more than a month and added: "If I had not had these health problems perhaps I would have gone less heavy on the French and Germans."

Treasury keeps panel of 'wise men'

By Peter Norman, Economics Editor

Mr Kenneth Clarke, the UK chancellor, yesterday reappointed the Treasury's six-man panel of independent economic forecasters for one year while paving the way for future changes.

The Treasury announced that two of the "wise men" – Professor David Currie, head of economic forecasting at the London Business School, and Prof Wynne Godley, professor of applied economics at Cambridge University – would serve until the end of next year.

The other four panel members were appointed until the end of 1996. These are Mr Andrew Britton, director of the National Institute of Economic and Social Research; Prof Tim Congdon, managing director of Lombard Street Research; Mr Gavyn Davies, chief UK economist for Goldman Sachs in London, and Prof Patrick Minford, professor of applied economics at Liverpool.

In future, the panel will produce two reports a year compared with three a year since it was set up in December 1992. This will bring it into line with the Treasury, which by law has to produce two economic forecasts a year.

The Treasury said the chancellor's goal was to change the membership of the panel over time with appointments normally lasting three years. In practice a third of panel members will change every year. The names of the first two new members would be announced next year.

The two-year appointments announced yesterday would ensure some continuity until the end of 1996, when there would be a further change of membership.

The panel was set up after the debacle of sterling's exit from the European exchange rate mechanism as a move towards greater openness in economic policymaking.

BT launches computer security probe after hacking claim

By Alan Cane and Raymond Snoddy

Britain's Data Protection Registrar has called for talks with British Telecommunications over a breach of security which has resulted in the leak of some of the most sensitive security telephone numbers in the UK.

BT began its own enquiry as doubts grew last night over the existence of a mysterious "hacker" supposed to have penetrated the computers, removed sensitive telephone numbers and addresses and transmitted them over the Internet, the international computer network.

The Independent newspaper yesterday said the hacker had sent thousands of confidential records including telephone numbers for security services, Downing Street and Buckingham Palace to Mr Stephen Fleming, described as a freelance journalist. In its extensive coverage, the Independent said Mr Fleming had worked for three days at BT – without pay – to check the veracity of the information he was receiving.

The information, it was said, was sent over the Internet from someone who claimed to have penetrated BT security. It was claimed BT computer passwords were available to full-time and contract staff.

The telephone company said last night Mr Fleming had been an employee of the organisation for two months during the summer. It accepted that there had been a genuine breach of security and that sensitive numbers had been taken from the database but said there was no evidence of hacking – jargon for defeating computer security devices.

It said last night its Customer Service System was secure, adding: "Despite an extensive and ongoing search, BT has found no evidence that the confidential information has ever been available on the Internet." Experts said that the volume of traffic travelling across the Internet was so great that it would be unlikely for anyone to have been able to track the transmission.

Mr Ian Hargreaves, editor of The Independent, said the story had been thoroughly researched over several weeks. Mr Fleming had not been paid for his story; his motive was to expose security lapses.

Deutsche Telecom decision soon, Page 15

هكذا من الأصل

Nadir makes tax arrears payment

By Jim Kelly

Mr Asil Nadir, the fugitive businessman, was yesterday reported to have struck a deal with the government of northern Cyprus to regain control of two hotels seized this week.

Administrators to Polly Peck International said, however, that the government-appointed sequestrators were still in the hotels and that the deal had divided the coalition government of prime minister Mr Hakki Atun.

Sources in northern Cyprus indicated that the agreement had prompted one government official to resign in protest and that the first instalment in an agreed tax repayment scheme had been in the form of a post-dated cheque.

"Nadir made a first payment of his tax arrears yesterday. The amount is not disclosed. The government has agreed to a payment plan he proposed," said a finance ministry official in Nicosia. "The cabinet discussed the situation at a meeting on Wednesday. Asil Nadir was later summoned by [north Cyprus] prime minister Hakki Atun," the official added.

Mr Atun was quoted by Turkish Cypriot news agency TAK as saying: "We have been given assurances that remaining instalments will be duly paid and we are happy to have solved this problem." Mr Chris Barlow, a partner at Coopers & Lybrand and lead administrator for PPI, the conglomerate which collapsed in 1990, said: "According to our information attained this afternoon the sequestrators are still in the hotels and we have heard that other government ministers are not agreeing with this proposal.

"We are always keen to meet the government and we have made it clear that if they assist us in getting possession of the hotels we will deal with the issue of outstanding tax."

Mr Nadir's UK lawyer Mr Peter Krivinskas said his client had been two months in arrears on a repayment scheme agreed in 1993. "He is back in control," he said, adding: "I assume the payment was in cash. It could have been a post-dated cheque."

Since October 1990, the administrators have been denied access to Polly Peck assets in north Cyprus because of a series of injunctions and court orders obtained by Mr Nadir.

Government tax officers had seized the revenues of Mr Nadir's Jasmine Court and Palm Beach hotels on Tuesday to recover $1.5m in back taxes and social security payments owed by a PPI subsidiary. Total tax debts for companies under Mr Nadir's control are thought to exceed $10m.

Details of Railtrack sell-off omit date

By Charles Batchelor, Transport Correspondent

The government yesterday announced plans to privatise Railtrack, owner of the national rail network's track, signalling and stations, but did not give a date.

The announcement provoked fierce criticism from the opposition political parties and a warning from the Freight Transport Association, whose members account for 90 per cent of rail freight, that the rail industry must take more account of the needs of its customers. It said Railtrack should not boost profits by raising prices.

Mr Brian Mawhinney, transport secretary, told parliament that at least 51 per cent of Railtrack's equity would be sold but the precise timing would depend on stockmarket conditions.

A government memo obtained earlier this week by the opposition Labour party mentioned a target date of the first three months of 1996.

The sale of Railtrack is an important element in the government's rail privatisation programme alongside the franchising of passenger train operations and the auctioning of three sate-owned rolling-stock leasing companies. The government originally planned to sell Railtrack later in the rail privatisation programme, but franchising has taken longer than expected.

It is too early to estimate a precise value for Railtrack, the assets of which have been notionally valued by the Treasury at £6.5bn ($10.7bn), though City estimates are closer to £4bn.

Mr Mawhinney said the flotation would allow the greater use of private-sector skills in managing the network and would encourage investment by Railtrack and independent providers of private capital in the upgrading of railway lines.

Mr Michael Meacher, the Labour party's shadow transport secretary, said the sale had nothing to do with transport policy but was driven "entirely by the desperate desire . . . to make a quick financial killing to finance Tory tax cuts in time for the next election." Labour was committed to a publicly owned rail system and would fight privatisation "tooth and nail."

Railtrack's miles of assets

Track	
Route miles open for traffic	10,270 miles
Passenger and freight	7,839 miles
Passenger only	1,057 miles
Freight only	1,374 miles
Proportion of network electrified	almost one third
Stations	
Total number of passenger stations	2,482
Stations opened or reopened since 1965	240
Signal boxes and control centres at April 1994	1,160
Bridges and tunnels	
Railtrack will be responsible for 984 tunnels and some 90,000 bridges. These include viaducts, listed buildings and national monuments	
Staff	
At April 1994	12,000

Mr Robert Horton, Railtrack chairman, has spent 35 years climbing to the top at British Petroleum, only to be ousted in 1992 when a tough cost-cutting programme failed to reverse declining profits. Barely installed at Railtrack, he was confronted with a signal workers' strike and the first public test of his management skills. For all his long experience of big-company management and his enthusiasm for the railway, Mr Horton is a newcomer to the business. Industry expertise at a senior level is provided by Mr John Edmonds, Railtrack chief executive and a railman for 34 years. Below senior management comes a clutch of directorates for areas such as civil engineering and procurement as well as 10 zonal or regional directors.

Companies fear being left out of trade with Iraq

By Jimmy Burns, William Lewis and James Whittington

In spite of the UK government's public support for the continuation of sanctions against Iraq, imposed in August 1990, some British companies are now preparing to resume trade with President Saddam Hussein's regime when they are lifted.

On Sunday, 17 British water treatment and engineering companies and several other Europe-based groups will exhibit at the Baghdad Trade Fair Centre. The British organisers of the fair, billed as covering humanitarian aid, say it has been cleared by the UN.

In January there is likely to be another delegation to Baghdad involving leading British vehicle and construction companies. Companies which have signalled their intention to go to Iraq include Leyland Trucks (trucks and buses), RB International (cranes and construction equipment) and Angus Fires (fire engines).

Leyland said: "When sanctions are lifted there is clearly going to be opportunities for new business. Our feeling is that our competitors are already preparing themselves."

British businesses' enthusiasm for rebuilding links with Iraq comes against a background of mixed signals from the Foreign Office and the DTI as to how far business relations with the Iraqis should go. Such confusion contrasts with the approach being taken by the French government to resume contacts with the Iraqis.

"French companies are free to talk about whatever they like to whoever they like," said a French foreign ministry spokesman yesterday, while insisting that his country was sticking strictly to the embargo.

The French oil companies Total and Elf Aquitaine have held detailed negotiations with the Iraqis on developing the two giant oil fields of Nahr Umar and Majnoon, in southern Iraq. Both companies said yesterday that no agreements with the Iraqis had been signed.

British companies are anxious that European competitors, led by France, have been moving faster than they have. Trade delegations from Spain, Germany and Italy have visited Baghdad during recent months.

Commercial support for renewing trade links has been growing. Some 100 companies from sectors including pharmaceuticals, financial services, construction, and transport have expressed an interest in resuming ties with Iraq.

UK NEWS DIGEST

All-Ireland tourism drive starts

Ireland is to be promoted as a single tourist destination under an £6.8m ($11.2m) initiative unveiled by Baroness Denton, Northern Ireland economy minister in the UK government, and Mr Charlie McCreevy, tourism minister in the Republic of Ireland.

Mr McCreevy said the initiative was "a pure marketing one led by the industry itself; it does not pre-empt, prejudge or predetermine any that might happen in the future." Tourism is one of the industries which may be given cross-border authorities under joint UK/republic framework for a political settlement in Northern Ireland.

Supporters in the north of union with the UK have often opposed any move that would give the republic an executive role in the north, even in non-controversial areas such as tourism. Cash for the joint initiative will come from the private sector, the International Fund for Ireland and the European Union.

Treasury drops dividends 'hot potato'

BUDGET

The Treasury has abandoned its review of whether companies' dividend payments are too high, and there will be no measures in the Budget next week aimed at controlling dividends. A senior government official said the issue was dropped after it had been attacked by Lord Hanson, chairman of the Hanson conglomerate. The official said: "The issue became too much of a hot potato after Hanson attacked the review. No one wanted to pick it up."

Mr Stephen Dorrell, as financial secretary to the Treasury, initiated an inquiry a year ago into whether the tax structure encourages companies to allocate an excessive proportion of retained profits to dividends compared with funds for investment.

Price survey adds to interest rates pressure

The proportion of manufacturers planning to increase prices rose again this month, says the latest survey of monthly trends from the Confederation of British Industry, the UK's biggest employers' lobby.

Mr Eddie George, the governor of the Bank of England (thecentral bank), has in the past paid particular attention to the CBI prices findings, and today's result will fuel speculation that he will press for an early rise in base rates when he meets Mr Kenneth Clarke, chancellor of the Exchequer, on December 7. However, the CBI survey did find that manufacturers are enjoying buoyant export orders and increases in output. The CBI also warned that over-aggressive tax cuts before the next general election might, if combined with a fall in sterling, threaten the government's target of keeping inflation at the lower end of the 1 per cent to 4 per cent band.

Guidelines on derivatives change

Far-reaching guidelines for UK corporate users of derivatives were published yesterday in the wake of a succession of write-offs inflicted by interest rate swaps and other complicated financial instruments.

The Association of Corporate Treasurers argues that companies must guard against "the failure to implement and operate controls at a very basic level" that typically lies behind the worst losses.

Mr Derek Ross, chairman of the association, played down the role of complex products such as "swaptions" and "captions" that have taken much of the blame for losses. The association, the professional body which groups corporate treasurers and finance directors from the UK's largest companies, laid responsibility on top management.

Thomas Cook to shed almost 200 managers

The Thomas Cook travel group, a subsidiary of Westdeutsche Landesbank, is to shed 200 jobs – mainly among middle and senior managers. Staff at the company's offices in Peterborough, central England, and London will be offered voluntary redundancy and early retirement to minimise the need for compulsory job losses.

The company said it wanted to simplify its structure and reduce overheads. Mr John Donaldson, a Thomas Cook executive, said: "The decision to introduce redundancy programmes was not an easy one to make, but it is essential. It is part of an overall programme to become a lean, focused company ready to meet the challenges of the 21st century."

Agents at Lloyd's protest at court action

Regulators at the Lloyd's of London insurance market should stop preparing loss review reports while legal actions brought by Names are progressing, the High Court in London was told. Names are the individuals whose assets have traditionally supported the market.

Managing agents of syndicates 80 and 843 asked for the loss reviews to be halted because they were prejudicial to the court cases in which Names are seeking damages for alleged negligence. The agents claim the Names can obtain an unfair advantage because the transcripts of interviews with regulators can be used as evidence in court.

The Regulatory Board of Lloyd's opposed the move, arguing that the loss reviews were for the benefit of all Names, not just those involved in litigation - about half the total number of Names.

Neural network fills gap

Next week the government publishes a survey which was put together using one of the biggest neural network systems – a computing technique loosely based on the workings of the brain – yet developed.

The Department of Social Security has spent £400,000 on a neural system to help prepare the DSS's Family Resources Survey, an exercise based on interviews with 25,000 households which helps forecast and model benefit expenditure. The system, which uses 1,500 individual neural networks, is the largest in Europe, according to Recognition Systems, its Birmingham-based developer.

The DSS statisticians turned to neural networks to fill in gaps in their data, where interviewees had failed to answer particular questions. Filling these gaps is important because bias would be introduced into the survey if the questionnaires were left incomplete.

Although the adoption of neural networks in government surveys had few precedents, their potential was obvious. Neural networks, which are trained by example, can pick out patterns in large amounts of data.

The results of a pilot study were encouraging. It suggested that neural computing technology was up to 40 per cent more accurate in estimating the missing data items than classical statistical techniques such as regression analysis.

The neural network proved capable of imputing results for 70 per cent of the 45,000 items that were missing from the survey's database, which totalled 10m items. There were insufficient examples of the other 30 per cent of items, which involved unusual situations, for the neural network to handle.

The system has won the enthusiasm of Cheryl Morgan, the Family Resources Survey's statistician. Not only does it produce more accurate results than conventional techniques, but it costs less to run, she says.

Vanessa Houlder

A new cyberspace neigbourhood has joined the Internet and traffic is brisk, explains **Louise Kehoe**

Caught in the web

If you thought the Internet was for "techno-nerds", think again. Over the past 18 months a vast new array of information resources has been added to this global computer network that even a novice can navigate.

The World Wide Web (WWW) is the newest and fastest-growing neighbourhood in cyberspace; a collection of about 10,000 "servers", or database computers, up from about 3,000 in August with more being added everyday – containing information on topics as diverse as fly fishing and home brewing to film reviews and electronic newspapers.

The Web provides a set of standards, or formats, that enable users to access information files on the Internet. What marks it out from earlier efforts is its ability to allow users to move easily from relevant information in one database to linked information in another one – which might be on the far side of the world. The Internet itself is the network of computers that exchanges information by using the same interconnection rules.

The Web has a flourishing "commercial district" as hundreds of companies begin to promote their wares over the Internet's global links. Most important, it is the site of the first "electronic commerce" on the Internet, which is expected to explode over the next year.

The first filaments of the Web were spun in 1989 at Cern, the European particle physics laboratory, in a project led by Tim Berners-Lee, a computer scientist who is known as the "father" of the WWW.

"The WWW was conceived as a seamless world in which all information, from any source, can be accessed in a consistent and simple way . . . on any type of computer, from any country, using one [standard] program," says Berners-Lee.

His vision has come close to reality over the past year, largely as a result of the popularity of Mosaic, a software program that enables computer users to "browse" the databases and search swiftly through thousands of on-line documents. It simplifies the task – a click of the mouse on a link-word in one document automatically executes computer instructions to take the reader to another related piece of information, be it text, graphics, sound or video.

This is a huge improvement over the bewildering mass of different computer protocols and languages that Internet users faced until recently. In effect, Mosaic has become a tour guide to cyberspace – a guide that speaks all the computer languages and knows the best sights.

Developed at the University of Illinois' National Centre for Supercomputing Applications, Mosaic is available to individual users, via the Internet, at no charge.

Since May, corporate computer users have purchased more than 10m copies of an "enhanced" version of Mosaic from Spyglass, a company set up to commercialise the university's technology.

Traffic on the WWW is growing so fast that it is difficult to keep pace. About 30m people are estimated to be using the Internet, with about 1m new users logging on each month – many of them drawn by interest in the WWW.

Almost anybody can put up a "home page" on the WWW. The McBryan family of Boulder, Colorado, for example, claims to be the first home on the information superhighway. Dad, Mum and the three kids are all wired up to the Internet. "What you will find here are prototypes of future infobahn users," they say, throwing in some family photos to illustrate their text.

Then there is Hillside Elementary School, in Minnesota, where Mrs Collins' sixth-grade class project is to create a site on the WWW. Last year, the third grade (ages 7-8) also participated.

An Intel engineer proudly shows off his contribution to the WWW – mock-up photos designed to make him look like a felon being booked into jail and some hyperlinks to discussions of British cars, his hobby.

The friendly feel of the WWW is also, however, making it the ideal locale for businesses. You can find IBM, AT&T, Ford, Mitsubishi and the Bank of America on the Web, among many others. Search a bit further and you may find menus of restaurants in Palo Alto, California, a wedding planning service called "Bridesmaid for Windows", a listing of homes for sale in San Francisco and hundreds of other businesses.

Commercial "domains", the Internet addresses for groups of users, have multiplied from about 9,000 in 1991 to well over 20,000. Most are experimenting on the Internet by posting public information and seeing how much notice it gets.

A fledgling industry of consulting groups and service organisations is growing up around the WWW, helping companies to create an on-line presence.

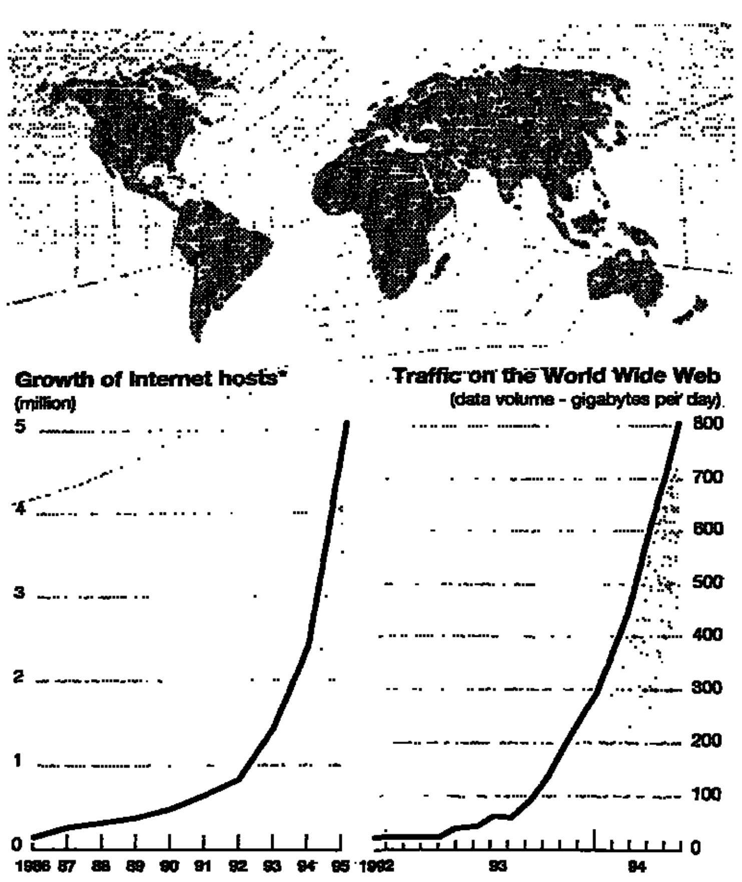
Business interest in the WWW is rapidly shifting, however, towards electronic commerce. In Silicon Valley, for example, a group of electronics manufacturers is building CommerceNet, an Internet marketplace for electronics products.

Intel, one of the participants, predicts that eventually electronic commerce will eliminate the "middle men" or distributors that today play a critical role in delivering all sorts of products to end-users.

The Web is also a new medium for publishing groups, with several newspapers and magazines already on the Web. HotWired, an electronic version of the trendy San Francisco high-tech magazine, is a big attraction on the WWW. The San Jose Mercury News, a pioneer in electronic newspapers publishing with its "Mercury Center" on America Online, is also planning an Internet version on the WWW.

As business interests multiply on the WWW, it is beginning to be seen as a competitor to commercial on-line services such as Prodigy, Compuserve and America Online for which users pay subscription plus fees according to how much time they spend on line. The trend on the WWW, in contrast, is towards free services supported by advertising revenues.

For the average user with a personal computer and a modem, access to the WWW is slow. Yet as the availability of high-speed communications lines increases, and prices decline, the WWW appears set to continue its exponential growth and to create the much heralded "information superhighway" long before predictions of "movies on demand" and 500 TV channels come true.



Source: Merit NIC Services, Texas Internet Consulting, Network Wizards

* Number of computers linked to Internet, most of which serve networks of users rather than individual users

Worth Watching · Vanessa Houlder

Keeping angina off the beat

A potential advance in the understanding and treatment of artery narrowing has been announced by researchers funded by the British Heart Foundation.

Angina, the chest pains caused by an inadequate supply of blood to the heart, is usually successfully treated by angioplasty, a procedure which widens narrowed arteries. But a third of patients suffer complications in the form of renewed narrowing of the arteries or, more rarely, from the formation of blood clots.

Research carried out by King's College School of Medicine in London, which is due to be published in tomorrow's Lancet, found that a blood-clotting mechanism is activated during angioplasty. Arterial narrowing appears to stem from the excessive activity of growth factors contained in white blood cells called platelets.

The researchers found that the platelet activity was inhibited in a small group of patients who received an infusion of a nitrate medicine called S-nitrosoglutathione GSNO before the angioplasty. It is thought to cause nitric oxide to be released by the platelets, which acts as a brake on their activity. Further work will now be undertaken.

British Heart Foundation: UK, tel 071 935 0185; fax 071 224 1868.

Now hear this: clearer sound

Designing the acoustic systems for public buildings can be a hit-or-miss affair, leading to inaudible announcements or the need for expensive modifications.

Bose Corporation, an audio equipment manufacturer, has developed a computer model which allows acoustic engineers to hear what public places will sound like before constructions.

Its Auditioner system resulted from a nine-year research project which focused on the acoustic modelling necessary to predict how sound travels and the signal processing necessary to modify audio signals in the same way as rooms do. It consists of a desktop computer workstation, an audio computer fitted inside the workstation and audio playback apparatus for the listener.

Bose: US, tel 508 879 7330; fax 508 872 6541.

Drug detection on the spot

An enzyme-based drug detection system which can spot minute quantities of heroin and morphine has been developed by the Institute of Biotechnology in Cambridge.

The system uses an acetyl esterase enzyme extracted from a bacterium to convert heroin to morphine, after which the morphine is oxidised using morphine dehydrogenase, another enzyme. These reactions generate a product that can be detected using an indicator.

The system is part of a hand-held, air-sampling monitor designed for on-the-spot screening. The British Technology Group, which has filed patents on the micro-organism and the enzymes, is seeking commercial partners.

British Technology Group: UK, tel 071 403 6666; fax 071 403 7586.

Easy access to Internet

The surge of interest in the Internet has prompted manufacturers to launch equipment designed to give novices easier access.

Compaq, which believes it is the first large computer company to launch an Internet-ready PC, will supply all its Presario computers with Easynet software, which provides Internet access, from December 1. Prices range from £1,399 to £1,799.

Carrera Technology, a UK company, has already launched a range of Internet-ready PCs. A modem, Easynet software and a year's subscription to the Internet adds an additional £349 to the cost of the computer.

Compaq: UK, tel 081 332 3000; fax 081 332 3440. Carrera: UK, tel 071 830 0486; fax 081 830 0286.

هكذا من الأصل

PEOPLE

Tiphook finds a new finance director

Tiphook - soon to be renamed Central Transport Rental Group - yesterday appointed Richard Raine as its new finance director - part of a spate of senior management changes by newly-appointed chairman Ian Clubb.

In the past year, four of Tiphook's five executive directors have resigned, leaving only founder and chief executive Robert Montague with any long-term knowledge of its sharply diminished business. Indeed, Raine is replacing Andrew Chandler, who lasted only one year.

He will be moving into a fairly hot seat. The company sold off its largest operating business - container leasing - last March. It is facing a US Class Action over bond issues in the US in 1992/1993; it remains saddled with £512.5m of debt, and two operating businesses which both lost money last year.

However, Raine is likely to get firm assistance from Clubb, the former finance director of BOC, who has taken a hands-on approach to Tiphook that belies his non-executive status.

Raine, a chartered accountant, was finance director of Bloomsbury Publishing before its recent flotation, and has worked for a variety of other companies, including building materials group Wickes.

He is also being joined by a new company secretary, Simon Enoch, who previously worked at Kingfisher subsidiary B&Q.

Further reshuffling among Tiphook's non-executive directors is expected to follow, which could result in a complete turnround of the board (except for Montague) within a 12-month period.

Kenneth Dick, the 81-year-old former Rothschild director, and Rupert Hambro, the urbane merchant banker who took Tiphook's chairmanship for a brief but turbulent period, are both expected to go.

The future of Montague himself has been in question, as he faced bankruptcy charges, which, if successful, would disbar him from holding a directorship.

The hearing will be held in Oxford on December 22 but Montague is pushing for an Individual Voluntary Arrangement. This would provide a structure for partial repayment of creditors, while he retained his job. *Simon Davies*

Fairclough to quit BTR

■ Bob Faircloth, the American credited with turning round Hawker Siddeley following its acquisition by BTR in 1991, is to retire as BTR's chief operating officer at the end of the year. He will become a non-executive director from April.

His post will be scrapped - which will leave BTR's five regional chief executives to report direct to group chief executive Alan Jackson.

Faircloth, 58, joined the board in 1988 and was promoted to the new position of chief operating officer to handle Hawker Siddeley.

Faircloth, who plans to return to the US, was not seen as a successor to Jackson, who is also 58. *David Wighton*

■ Stuart Bridges, previously a director of Henderson Investment Management, part of fund management group Henderson Administration, has been appointed to the board of John I. Jacobs, the fledgling conglomerate.

For the past three years Bridges, 34, has been a fund manager at TR Property Investment Trust. Now he joins Michael Kingshott, 47, who in May quit as chief executive of Sally UK, the ferry operator that he founded, to become managing director of John I. Jacobs.

According to Kingshott, he and Bridges "have already worked closely together on a number of transactions". Bridges brings "an expertise in corporate finance and investment management to Jacobs, together with a detailed knowledge of the property sector," Kingshott says.

Jacobs still maintains an old-established firm of shipbrokers, but there are plans to turn it into a what Kingshott calls a "broadly-based shipping, transport and property group". *William Lewis*

Coleman: PW's World Leader

So how does an unassuming accountant become a World Leader? In one easy step, judging from 45-year-old Andrew Coleman, partner at Price Waterhouse in charge of the European capital markets group, who has just been promoted to the position of World Leader of a newly formed global capital markets and treasury group.

The move comes in the context of the international accountancy firm's rearrangement of its activities along industry rather than geographic lines. "I guess the idea is to harness the power of individual batteries to get a real charge," says the new World Leader, "rather than allowing [regional centres] to do their own thing."

The title itself, which he intimates is not of his own choosing, is designed to distinguish between those running individual "industry" divisions - himself and others - and the chairman of the world financial services practice, Thomas Macey.

The regrouping, which involves treasury being brought into the capital markets fold, means that Coleman goes from managing a division of between 40-50 people to one encompassing between 400 and 500. His customers comprise both the panoply of banks offering capital market and treasury services and corporations, the would-be buyers of those services. The group will help the banks originate and structure products and manage the risks on their books, while advising companies on the likes of how to put risk management frameworks in place.

A graduate of the London School of Economics, Coleman has been with PW his entire working life, increasingly specialising on the capital markets side. A partner for the past 12 years, he has become a well-known face in the derivatives field, largely on account of his membership of the working group which in 1993 produced the Group of Thirty Global Derivatives Study. *Katharine Campbell*

Constructive careers

■ **Philip Marshall**, 34, currently production director of MARSHALL's concrete and stone products, will succeed Keith Marshall as chief executive from next March following his father's retirement.

■ **Rod Peck** has been promoted to regional director for BICKERTON in Oxford.

■ **Peter Mantle** has been appointed managing partner of the London office of JONES LANG WOOTTON.

■ **Helen Stone**, formerly md of WS Atkins Structural Engineering, has been appointed md of CARL BRO Building.

■ **Rob Ewen**, formerly divisional director of Bovis Program Management, has been appointed md of TBV Schal, part of TARMAC Professional Services.

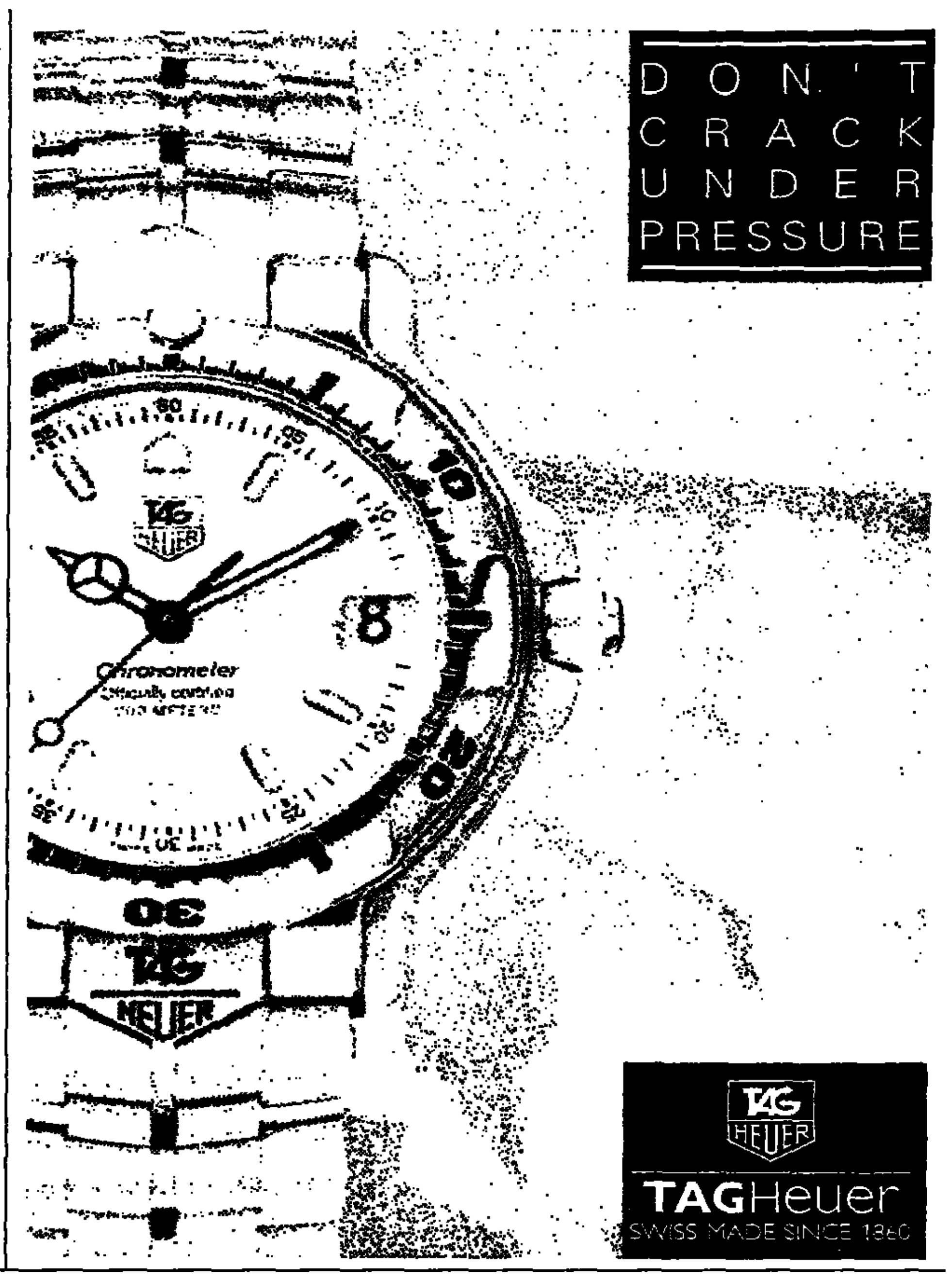
■ **John Morgan** has been appointed chief executive, Jack Lovell marketing director, and Alistair Sloan finance director, of MORGAN SINDALL.

■ **James Wates**, formerly md of Wates Integra, has been appointed marketing director of WATES Construction.

■ **Philip Reeder**, chief executive of Expamet Building Products and Expamet Industrial, has been appointed to the board of EXPAMET INTERNATIONAL.

■ **David Lee**, who is recovering from a stroke he suffered in April, has retired from his directorships with the MAUNSELL Group, but continues to act as a consultant.

■ **Roy Adams** (below), who has recently been heading BDP's joint venture in Paris with Groupe 6 and before that was London office chairman for four years, has been appointed chief executive following the resignation of Roger Horn because of ill health.



MANAGEMENT

Electrolux is integrating, with a difference, as it tries to become more competitive, writes **Christopher Lorenz**

How to bridge functional gaps

Desperately seeking integration: Leif Johansson (left) and Anders Scharp believe such a move to be an absolute necessity

A year ago this month a group of Scandinavian middle managers from Electrolux, the Swedish household appliances multinational, spent several days at a conference centre in Sigtuna, a town north of Stockholm. Officially, their purpose was to learn new marketing skills.

But the debate kept turning to a much deeper problem: how to bridge the "functional" barriers that still bedevil the company, separating its sales and marketing organisation from its product development and factory units – what Electrolux calls the "industrial" side of the organisation.

This gulf has made the company slower, less innovative and less cost-efficient than it should be, hampering its ability to beat arch-rivals such as Germany's Bosch-Siemens and America's Whirlpool-Philips. It is still suffering from this problem, in spite of the improved profits trend it reported this month.

In one of the conference coffee breaks at Sigtuna, a couple of the managers sketched a diagram on the whiteboard entitled "how things should be done". In place of the company's current structure, they drew what they called an "integrated" organisation, in which sales, marketing and "industrial" were all merged into a set of international product divisions, each with a full range of functional responsibilities.

Electrolux's top management also feels keenly about the urgent need to integrate the two sides of the organisation. "It is an absolute necessity," says Leif Johansson, president of the group since 1991, when Anders Scharp moved up to the chairmanship. "It is the only way to achieve the necessary competitive speed."

But in recent months Johansson has made it clear that he considers a structural merger impractical. Instead, he is trying to achieve the integration by various other means, both "hard" and "soft".

Electrolux has thereby declared itself a dissident from a powerful movement that is emerging among multinational companies in industries as diverse as engineering, information technology and chemicals. In a quest to increase competitive speed, and cut complexity and costs, most companies are streamlining their organisations by shifting the internal balance of responsibility and power sharply towards their international product divisions or "lines of business".

This is being done at the expense of the other dimensions of the complex "matrix" organisations which these companies used to operate. The other two dimensions were functional management, such as technology and production; and geographic management (either national or regional), which in most multinationals has been in charge of sales and marketing.

In IT, IBM has been moving steadily in this direction since Lou Gerstner took over as chairman early last year. The American giant's latest step this summer provoked the defection of the German head of IBM Europe, disgruntled over the latest erosion of his own power, and that of his managers.

In chemicals, Ciba and ICI are just two of a cluster of groups which have taken similar steps, again not without controversy.

Only a minority of companies in any industry is following the lead set by ABB, the Swedish-Swiss engineering giant, in maintaining a matrix in which the national subsidiaries retain considerable power over both sales and marketing.

In moving so strongly to divisional structures, most other companies are running a twofold risk of swinging the pendulum too far towards divisional management: loss of touch with national market differences; and demoralisation of the very managers on whom that responsiveness depends.

Electrolux is well aware of this risk. So, in the marketing and sales side of its European organisation, it is retaining a strong element of national management, in practice though not in name.

When it abolished its powerful country managers in Europe in late 1992, it gave about half their responsibilities to three pan-European "industrial" divisions, which now control product development and manufacture. Two, for "cold" and "hot" products, are based in Stockholm. The "wet" one, covering washing machines and dishwashers, is – appropriately – based near Venice.

But instead of transferring the country managers' power over national marketing to the new divisions, these were given – as at Whirpool – to a central marketing unit based in Italy. Much-expanded under a top manager from Stockholm, Christer Forstrom, this unit now controls all European marketing and sales through brand "portfolio managers" in each country or sub-region.

A number of Electrolux managers felt this should be only an interim step, and that a full-blown merger of the marketing and industrial sides should follow. Hence last year's backchat at Sigtuna.

At top management level, "we talked a lot about merging the marketing and industrial sides of the organisation, but decided not to because it would actually cause much greater complications than what we have now – it would recreate a very complex matrix", explains Aldo Burello, head of the "wet" products division.

The reason for this is that Electrolux runs four different brands in most countries. It is enough of a challenge for the European marketing unit to co-ordinate them, without adding all the difficulties that would arise if each product division had to run four brands. "It would mess up our account management completely," says Johansson.

Stressing the need for a unitary marketing organisation, Halvar Jonzon, brand portfolio manager for Scandinavia, says "trade customers expect you to be able to handle the full range of products from all three divisions – cold, hot and wet – not only by brand, but also by *all* brands".

These barriers to further structural integration give an added urgency to the wide range of other mechanisms which Johansson and his team have unleashed over the past year. They deal partly with new processes, procedures and systems, but also with factors such as people's sense of sharing a common set of goals, and their willingness to co-operate with each other regardless of their specialisms and formal reporting lines. "Integration is very much a question of people's mindsets," says Johansson.

The initiatives represent an even greater challenge for Electrolux than for most companies.

This is because of the fact, now recognised throughout the company, that Electrolux's long era of growth by acquisition is at an end after the takeovers a decade ago of Zanussi in Italy and White (Frigidaire) in the US, plus AEG's appliance arm this autumn. As a result, many of its past management attitudes, skills and practices are in need of urgent change. "In organic growth, the core competencies you need are entirely different from during restructuring," says Forstrom.

Among the new processes, two are particularly ambitious. The first constitutes classic "re-engineering": a comprehensive "order-to-payment" process which will span virtually the whole of sales, manufacturing, logistics and payments operations across Europe.

Ulf Sodergren, who heads the new process, claims the first pilot projects are cutting order-to-delivery times by up to 80 per cent, and halving stock levels.

The second initiative is a mechanism which many re-engineering-minded companies are signally failing to introduce: an integrated reporting system. For the first time in Electrolux, this measures cross-border financial performance by product division and brand. In process terms, "we're starting to measure end-to-end flows", says Johann Bygge, the group's controller.

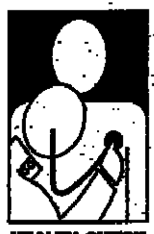
Together with other new integrated information, measurement and reward systems, this will do much more than just stop the traditional haggling over internal transfer prices.

It will also end each manager's tendency to optimise his or her own unit's performance to the detriment of the overall European division, brand or process of which it forms part. "But this is not happening overnight – it needs a long education process," says Bygge.

"Systems thinking" of this kind is hard to breed in any company. For one with Electrolux's strong functional, national and decentralised traditions, it will be extra tough.

Pitfalls of indulgence

Carol Cooper looks at how best to survive the Christmas festivities



HEALTH CHECK

Thanks to classical experiments conducted by Holy Roman Emperor Frederick II, it has been known since the 13th century that exercise inhibits digestion.

Frederick made two slaves eat a big meal. Afterwards one rested while the other was made to exercise vigorously. Both were then executed, which showed that the one who had exercised still had a full stomach.

More research in this area seems unnecessary.

As the festive season approaches, more and more employees will get together and indulge away from the office. One "Christmas dinner" may be fun, but there are often many such occasions every year.

Over-indulging in food has obvious consequences, and there can be more immediate effects, especially if the food is different from one's usual diet. Quantity matters, too. In company one tends to eat when not hungry, and research confirms that the amount consumed increases with the number of people at table.

In a business context this matters most at lunchtime. The early afternoon is a soporific time of day anyway, and since the normal response to a heavy meal is to sleep it off, a valiant struggle to get back to work may result in little getting done.

A large lunch also potentiates the depressant effect of alcohol. After a heavy meal, a short walk in the fresh air can help but, as Frederick's experiments showed, brisk exercise, such as going to the gym or running to catch a train, should be avoided.

Leaving aside its long-term risks, alcohol has well-documented effects on attitudes, concentration, reaction times and co-ordination. The risk of road traffic accidents is doubled by a blood alcohol concentration (BAC) of 80 mg per millilitre and increases more or less exponentially at levels beyond this. Those convicted of driving with a BAC of 200 mg per millilitre are considered high-risk offenders.

One can often tell – if only with hindsight – how many drinks will loosen inhibitions and result in saying or doing something regrettable. But it is less easy to guess how much alcohol will raise BAC to a certain level. BAC depends not only on the quantity imbibed but on personal characteristics such as size, age, sex and the state of one's liver.

About 90 per cent of alcohol absorbed is metabolised by liver enzymes into acetaldehyde, with the rest being excreted in breath, sweat and urine. Acetaldehyde is then converted into carbon dioxide and water, and all one can be reasonably sure about is that the normal adult takes about an hour to eliminate each unit of alcohol (one unit corresponds roughly to one small measure of spirits, one glass of wine, or half a pint of lager).

A BAC of 80 mg per cent is often known as the "legal limit" because driving with a level above this is a statutory offence. But a BAC as low as 30 mg per millilitre can impair driving skills, and within the Road Traffic Act there is a legal nicety worth knowing about. Section 4 warns that a person who when driving or attempting to drive is unfit through drink or drugs, is guilty of an offence.

With care, it is possible to enter into the spirit of the festivities without adverse effects. Eating with drinks can help delay absorption of alcohol. Diluting spirits (or even wine) and alternating alcohol drinks with mineral water are other ways of reducing intake.

The usual pub measure is 1/6 gill in England and Wales, but drinks poured outside pubs can be more generous. If, as in the case of punches, you are unsure of how much or even what you're drinking, be cautious and stick to something you know.

Extra-strength lager contains nearly three times as much alcohol as ordinary lager, while low-alcohol drinks vary enormously. Some are almost alcohol-free; others are up to half the strength of the average table wine. If you're only thirsty, have soft drinks.

ARTS

The British take the Met by storm

New York thrills to Graham Vick's Shostakovich and Bryn Terfel's voice, writes Andrew Clark

The Brits are the talk of the town. Not just on Broadway – where Andrew Lloyd Webber's *Sunset Boulevard* has opened to respectable reviews, mainly on the strength of Glenn Close's performance as Norma Desmond. Not just in the art world, which has been saluting two influential British potters, Lucie Rie and Hans Coper, in their first major American show at the Metropolitan Museum. Nor has the talk been confined to Manhattan's many musical Anglophiles, who have been treated over the past two weeks to well-prepared performances of Nicholas Maw's *Odyssey* and Rutland Boughton's *The Immortal Hour*.

No, the real buzz has centred on the New York debuts of Bryn Terfel and Graham Vick. Terfel, who sang in *Le nozze di Figaro* at the Metropolitan Opera and gave a recital with James Levine, was an overnight sensation. There have been chat-show appearances, a profile in *Time* magazine and a spread in the *New York Times*, which crowned him "the next Wotan". The bass-baritone from rural north Wales, still in his 20s, seemed unspoilt by riches and stardom – which only added to the charm of a story tailor-made for the American public.

Meanwhile, Vick's uproariously sophisticated staging of Shostakovich's *Lady Macbeth of Mtsensk* turned the Met's image on its head: for once there was real drama on stage and a sense of intellectual engagement among the audience. Add Maria Ewing's kittenish Katerina and a hair-raising orchestral performance under James Conlon – and you have a milestone in the work's history.

This is the kind of "modern" repertory one expects to be championed by New York City Opera rather than the Met, where anything after *Turandot* is anathema. In fact, a touring production of *Lady Macbeth of Mtsensk* visited the Met for a single performance in 1935 – a year after the St Petersburg premiere – since when the opera might never have existed, judging by the reaction of New York's audiences, musicians and critics.

So the new production has been blissfully cathartic, for the company as much as its public: 20th century opera is OK after all, it can be interesting and funny, it sells well, and why have we waited so long for this to happen? Perhaps Levine and his board of directors can now be persuaded to take glasnost an inch further, and open the Met's door to other artistic luminaries of our fast-receding century.

Of course, it could all have gone disastrously wrong. Vick's decision to modernise the setting, to choreograph the orchestral interludes and punctuate the drama with Pop art and construction-site machinery, was a huge risk. His courage was rewarded. The staging, a mixture of real and surreal, of macabre farce and absurd fantasy, had the same perspicacious imagination that characterises Shostakovich's music. Here was a tale of passion, greed and brutality, mercilessly parodied.

Paul Brown's permanent set was a painted skyscape, slung diagonally across the stage in the shape of a room. The refrigerator, television and saloon car – not to mention the dated appeal of Katerina's rose-patterned dress – could have been 1960s middle America, were it not for the icon on the wall, the workers' red scarves, the socialist tower-blocks and neo-Stalinist riot police. The beauty of it all was that the images were never specific. The message was timeless, universal – and devastatingly true-to-life.

The wrestling and whipping, for example, were far more realistic than the tame expressionism served up in most European stagings. And the equally combative seduction scene had a frantic abandon reminiscent of *The Postman Always Rings Twice* – except that a giant rose wafted up (love blossoming) and the fridge door burst open at the climax, puncturing the tension with laughter.

That was typical of the whole evening – and the Met audience did not need Russian to get the jokes (there were no surtitles). Vick's sense of comic timing was immaculate.

His sense of tragedy was not so keen. The last act was an anti-climax, partly because the setting was a spotless contemporary gulag, partly because the action was reduced to naked convention. Where the staging sagged, Shostakovich's music came into its own. Conlon lent extra savagery to the brass batteries by having the players line up in costume on a stage gallery. The impact was chilling – even if the more private moments were underplayed.

That was entirely in keeping with a production which refused to caricature the minor characters or beatify Katerina. Ewing bore the sultry, sexy, self-conscious look of the girl who cannot help attracting male attention. The voice is as problematic as ever – sometimes no more than a high-pitched wail – but she was never less than audible, and her whole performance was enthralling. Vladimir Galouzine, a name new to me, was the perfect Sergei: macho and musical, with a rapier voice and the cheeky swagger that goes with a lack of scruple. Mark Baker made an impressive Zinovy, looking more like a workaholic provincial contractor than a wimpish husband. Sergei Koptchak was the foul-mouthed Boris. The smaller parts were strongly cast.

The previous evening saw a revival of Franco Zeffirelli's 1990 production of *Don Giovanni*, stiffly conducted by Leopold Hager. Here we returned to the Met of international repute – museum opera in all its gormless, decorative inertia. You could almost read the production-book as the singers took up position for their arias. On one score alone, Zeffirelli deserves credit: he never forgets the *giocoso* element. As in *Lady Macbeth*, the audience had no need of surtitles to pick up the laughs.

But this was hardly the environment for deft ensemble or individual imagination. The title role was sung by James Morris, one of the few world-class Wagner singers who can sing Mozart with authority. He made a tall, handsome, old-fashioned seducer. Sharon Sweet was the big, blowsy Donna Anna, Carol Vaness a refined Donna Elvira, Stanford Olsen a small-scale Don Ottavio. Ildebrando D'Arcangelo made a subdued local debut as Masetto.

The main attraction of the revival was to have been Terfel's Leporello – but he was forced to withdraw at the last moment because of back problems (Herbert Perry substituted). According to Terfel's associates, he may have a slipped disc and require an operation. Coming so soon after his Met debut this is a cruel blow.

But it is surely no more than a temporary one, for his debut performances have built a huge reserve of goodwill. Assessing his Figaro in glowing terms, the New York Times said there was "a bit of the rustic in Mr Terfel which he uses with the savviness of an urbanite". About his all-German recital, the paper said he had "a poet's affinity for words and their underlying worlds of colour and emotion". All America now wants to hear him and there is talk of a Carnegie Hall recital.

It is now up to Terfel to decide how fast he wants his career to move. He has the kind of once-in-a-generation talent which Columbia Artists Management Inc, the American music industry mogul, would love to get its hands on. If he is sensible, he will remain loyal to his Cardiff agent and continue at his own steady pace. He has already agreed to sing Wozzeck for Abbado and Stein at Salzburg in 1997, and he will record Wagner for Deutsche Grammophon. But contrary to New York's expectations, let us hope he does not become "the next Wotan" – or the one after that.

Theatre/**Alastair Macaulay**

A bare, beautiful 'Landscape'

In his poetic, haunting, and seldom seen masterwork *Landscape*, Harold Pinter strips drama to its most enigmatic essence.

The two characters, Duff and Beth, sit at either ends of a kitchen table, without ever rising. Nothing happens but talk; they seem never to hear each other; she never addresses him. The play, new in 1968, lasts only 40 minutes. We, listening, are baffled – and, finally, heartbroken. For heartbreak is part of the subject of this beautiful play.

Duff sits mainly in profile to us, leaning forwards to keep his hands on the table, like a Cézanne card-player. Beth sits facing us, hands folded in her lap, like Cézanne's mother. Man and woman: Pinter has distilled the age-old tensions between the two sexes so potently that the tragic division of gender has never seemed less bridgeable. The mysteries of the play lie in the dichotomies between what she says and what he says.

Pinter has distilled the tensions between the sexes

Beth sits there motionless. It is possible that she is in a coma or trance; certainly Duff addresses her as such. Yet the wonderful irony of the play is that her thoughts dwell entirely in sensuous contemplation of the lyrical past, while his thoughts ramble tensely. He is prose, she poetry. He talks of mundane facts, she of delicate feeling. He thinks about only home and work, she about would-be children and art. He speaks of sex as struggle, she as intimacy.

And, though she speaks frequently of "he" and "him", it is by no means clear if she is referring to Duff; we wonder about their (ex-?) employer Mr Sykes. It is Duff who gives us most clues: we learn that he once told her of his infidelity to her, we learn that she once, at some other time, broke down by hammering at the gong. The clinching clue, I believe, to the identity of her lover lies in the word "grave".

More important, however, and nearest to the play's title, are her words on the principles of light and shade in drawing. Or, rather, light and *shadow*. Pinter extracts beautiful nuance from the latter word. "Shadow is deprivation of light ... Sometimes the cause of the shadow cannot be found. But I always bore in mind the basic principles of drawing. So that I never lost track. Or heart."

Much more deserves to be said not only about this play but also about the performance it is being given, under Pinter's own direction, by Penelope Wilton and Ian Holm at the Cottesloe. This is the staging that was the greatest revelation of the Pinter Festival at Dublin's Gate Theatre in May; even without the festival's other five plays, it is marvellous to have it here.

I am now more aware of the moments when Beth and Duff seem to draw near to each other in thought, and of the weight of grief that hangs over him. But the slightest nuance here – the slightest turn of a head, the connection of two consonants, the beat of her eyelids, the silence in the air – is full of meaning.

In repertory at the Cottesloe Theatre, South Bank.

Prose and poetry: Ian Holm and Penelpe Wilton

Alastair Muir

Musical/**David Murray**

Nagasaki without drama

If a humane message and an expertly professional score were enough to put bums on seats, *Out of the Blue* might keep the Shaftesbury Theatre full for a long time. I fear it is dead in the water. This is a "musical drama" (no jokes, no light relief) about Nagasaki – or more precisely about five schematic characters, Japanese and American, who were there. It is sung all through, looks good in extremely economical sets, and takes just two hours; but it butters no parsnips.

The show was "conceived" by Shun-ichi Tokura, a leading commercial composer, and then "developed" by its English director David Gilmore, with a libretto by Paul Sand. 1945 is the time of most of the story, told in flashbacks; the present day – 1970 – merely provides the occasion for telling it, and for releasing old griefs. Somehow, in the course of the conceiving, developing and writing, nobody noticed that in that form the story is fatally low on dramatic pressure.

Back *then*, young Marshall was an American prisoner of war, roughed up by the officer Hayashi (whose parents had died in the Tokyo bombings), but kindly treated by Dr Akizuki and protected by Hayashi's sister Hideko. After the Nagasaki horror and the Allied victory, he married Hideko; but soon radiation sickness carried her off, and while he was visiting home a letter from Hayashi told him (falsely) that their baby had succumbed to it too. *Now*, he has taken Holy Orders in America and never returned. Dr Akizuki, on a lecture tour for Peace, runs into Father Marshall and persuades him to revisit.

Meanwhile the flashbacks keep filling us in on 1945. The only "now" suspense lies in how Marshall will face his long-lost daughter Hana, and the revelation of Hayashi's lie soon smoothes that. By way of a late kick-start, we get another revelation: Marshall served seven years in prison for a certain mercy-killing (though the Church seems not to have minded). Ah so, *that* was why Hayashi was so cross! – but the drama evaporates at once amid general reconciliation.

Except for the deceased Hideko and the ageless Doctor, each character is played by two actors, younger and older. The only Oriental in the cast is baby Hana, who grows up to be the coffee-coloured Paulette Ivory (pleasantly poignant). The "Japanese" men do, however, wear their hair black and combed back. Like Michael McCarthy's Doctor, both the Marshalls boast fine musical-comedy voices; if James Graeme offers little more than stateliness-under-stress, Greg Ellis makes something strong and affecting of his younger self. The Hayashis, David Burt and Simon Burke, fulminate nicely, and Meredith Braun's Hideko warbles sweetly from her hospital bed.

The composer has assimilated the techniques of current American musicals with quick intelligence. If the often Sondheim-ish score tends toward blandness – too many of the songs are about vague, wistful feelings – it does not lack variety; there is, however, more genuine Japanese music in *The Mikado*. (Here Bernstein, Mussorgsky and even Fauré peep through.) Paul Sand's succinct lines rhyme and scan assiduously, and Tokura follows suit exactly. In the programme-book there is a heartfelt plea for nuclear disarmament from the Mayor of Nagasaki.

Dance/**Clement Crisp**

Ballets Jazz de Montreal

It all depends on what you mean by "ballet", and by "jazz". And, I must add, on how tiresome you find the combination of these elements. Les Ballets Jazz de Montreal are at Sadler's Wells this week on a return visit.

I saw the first of two programmes – or rather, as much of the first as I could bear to watch on Tuesday. It was an evening more catatonic than jazzy, and hardly balletic at all. Three pieces of choreography; 13 dancers; dull design; a toothless feel to it all – no bite to step or score. And the bland played on.

The best came first: James Kudelka's *Ghosts*, set to songs by the Beatles, with an eccentric edge to the dance which matched what was audible of the lyrics. A lot of brightness from the performers did not help, but Kudelka has an ingenious way with their bodies. The succeeding *Lovers*, by Jennifer Muller, claimed to be "inspired by the paintings of Gustav Klimt". This statement needed to be amplified by the announcement that Miss Muller is the rightful Grand Duchess Anastasia. We were treated to a tinkling piano score by Keith Jarrett which proved as maundering and vexing as Miss Muller's four duets, whose theme was He Needs Her And She Needs Him. The rest of the news was that the dances and the dancers looked anxious but uninteresting, and dragging Klimt's name into these goings-on was an insult to the fair name of Viennese painting.

Mauricio Wainrot's *Swing the Cat* ended the evening. The title was promising – something like tossing the caber? – but the dance was not. A collection of musical nullities from Simon Jeffe's Penguin Cafe Orchestra found an exact counterpart in innocently awful little outings for a group of bathers. After four numbers, with not even a kitten having been swung, I left – a disappointed man.

At Sadler's Wells until November 27.

INTERNATIONAL ARTS GUIDE

■ PARIS

OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Nov 25, 26, 27; Dec 1, 2
● La Khovantchina: opera by Mussorgsky at 7.30 pm; Nov 29, 30; Dec 3, 4
● Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Dec 6

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Dialogues des Carmélites: by Poulenc, in three parts. Directed by Günter Krämer, Conductor Jiří Kout at 7.30 pm; Nov 25, 29; Dec 1
● The Magic Flute: by Mozart. Conductor Foster/Lang-Lessing/Soltesz at 7 pm; Nov 26 (6 pm),30

■ BONN

OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● Il Guarany: by Antonio Gomes, in Italian with German surtitles. Conductor John Neschling, production by Werner Herzog at 8 pm; Nov 30
● La Fanciulla del West: by Puccini, in Italian with German surtitles. Conductor Eugene Kohn, production by Gian-Carlo del Monaco at 7 pm; Dec 2 (8 pm)
● La Traviata: by Verdi. A new production conducted by Eugene Kohn at 8 pm; Nov 26 (7 pm) ; Dec 4 (7 pm)
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Youri Vámos, conductor Michel Sasson at 7 pm; Nov 27; Dec 1 (8 pm), 3

■ ROME

THEATRE
Teatro Dell' Opera Tel: (06) 481601
● L'Arlesiana: by Bizet at 7 pm; Nov 25, 26, 27

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: 020 673 21 21
● Art of Devotion 1300-1500: major exhibition focusing on the spiritual function of objects in the medieval period; from Nov 26 (Not Sun)
OPERA/BALLET
Het Muziektheater Tel: (020) 551 89 22
● Rosa: new production of the opera by Andriessen. Directed by Peter Greenaway at 8 pm; Nov 25, 28

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Horne and conducted by Marvin Hamlish. Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1
● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3
● Mozart: Idomeneo: Sir Colin Davis conducts the London Symphony Orchestra at 7 pm; Nov 25, 27
Festival Hall Tel: (071) 928 8800
● Philharmonia Orchestra: with conductor Charles Dutoit and pianist Peter Jablonski play Tchaikovsky (piano concerto No. 2) and Shostakovich (symphony No.5) at 7.30 pm; Dec 6
● Russia Old and New: Royal Philharmonic Orchestra with the Brighton Festival Chorus, London Choral Society and conductor Vladimir Ashkenazy perform Schnittke, Prokofiev and Rachmaninov at 7.30 pm; Dec 5
Garrick Tel: (071) 494 5085
● Koninklijk Concertgebouworkest: with pianist Evgeny Kissin and conducted by Sir Georg Solti, play Beethoven, Bartok and Kodály at 2.30 p.m.; Nov 28, 29; Dec 2
Queen Elizabeth Hall Tel: (071) 928 8800
● The Fall of Icarus: Multi-media event inspired by Bruegel's, 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2,3
GALLERIES
Barbican Tel: (071) 638 8891
● A Bitter Truth: a multi-media exploration of changes in attitudes towards World War 1 throughout its duration; to Dec 11
Hayward Tel: (071) 261 0127
● Romantic Spirit in German Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
National Gallery Tel:(071) 839 3321
● Allegory: selection of paintings from the permanent collection on the theme of allegory; to Dec 4 (Not Sun)
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
OPERA/BALLET
Barbican Tel: (071) 638 8891
● The Kirov Opera: director Valery Gergiev brings his entire company to the UK for just one night to give the first complete British performance of Rimsky-Korsakov's opera, The Legend of the Invisible City of Kitezh at 7 pm; Nov 28
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Nov 25; Dec 1
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Nov 30; Dec 3, 6
Royal Opera House Tel: 071 240 1200
● An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with a short festival of his work consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 28, 30
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Nov 25, 29; Dec 2, 5
● Mixed Programme: includes the World Premiere of Michael Clark's New Clarke Ballet, Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Nov 26 (2 pm) ; Dec 3 (2 pm)
THEATRE
Gielgud Tel: (071) 494 5065
● Hamlet: by Shakespeare. Directed by Peter Hall, designed by Lucy Hall. With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun)
National, Olivier Tel:(071) 928 2252
● The Seagull: by Chekhov, in a new version by Pam Gems. Sat mat at 2pm at 7.15 pm; Nov 25, 26

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Nov 25, 28; Dec 2, 6
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 26, 30; Dec 3
● Madama Butterfly: by Puccini at 8 pm; Dec 1, 5
● Rigoletto: Italian opera by Verdi at 8 pm; Nov 26, 29; Dec 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)
THEATRE
Walter Kerr Tel: (212)239 6200
● Angels in America: Tony Kushner's Tony-award winning play. Sun mat at 3pm. Wed., Thurs., Sat. at 8 pm; to Dec 4

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● Los Angeles Philharmonic: Conducted by Esa-Pekka Salonen plays Lutoslawski, Ravel and Sibelius at 5 pm; Nov 26
GALLERIES
Phillips Collection Tel: (202) 387 2151
● Pictographs of Adolph Gottlieb: exhibition of one of the founding members of the New York School; to Jan 2
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● Le Nozze di Figaro: by Mozart sung in Italian with English sur-titles at 8 pm; Nov 25, 27
Washington Opera Tel: (202) 416 7800
● Faust: by Gounod. Director, Ellen Douglas Schlaefer, conductor, Richard Bradshaw. Faust played by Jianyi Zhang. In French with English surtitles. at 7 pm; Nov 26

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Aid in time

The donors' blueprint is failing in Gaza, writes Julian Ozanne

Warnings that the Israeli-Palestinian peace process could collapse any day are forcing international donors to consider a radical overhaul of their aid strategies. It is now widely acknowledged that the aid programme in the Gaza Strip has been a failure.

As donors prepare to meet in Brussels next week, Mr Terje Larsen, the United Nations under secretary-general for Palestinian territories, has warned that time is running out for peace in Gaza, as living standards fall and violence increases. "We are at the very edge," he said.

Disbursing aid by traditional means has proved almost impossible in Gaza, with only $140m distributed of the $700m pledged for 1994 by international donors such as the World Bank, UN and the European Union.

One problem has been the difficulties donors have had dispersing money through the embryonic Palestinian administration. Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, has been criticised for refusing to delegate authority. He has even excluded officials of the Palestinian implementing agency, PECDAR, from the delegation to the Brussels conference.

The Palestian administration has also been slow to develop clear procedures for distributing aid.

But according to Mr Samir Houleila, senior Palestinian aid official, "donors have been considering us as a classical case expecting us to have built all institutions and systems in six months ... Without conceptual changes the peace process is in jeopardy."

In designing the aid programme, western donors assumed that the Palestinian administration would be able to collect sufficient revenue to function, and that long-term development projects, entailing pre-feasibility, feasibility and design studies over 18-24 months would deliver economic gains sufficiently rapidly. Both these assumptions appear to have been flawed.

The peace process is no longer on track: the Israeli transfer of the West Bank, with its greater revenue base, has been delayed. And Israel is refusing to change the agreement signed with the PLO to hand over the $10m-$15m a month it is collecting in customs duties in the West Bank, until Palestinian elections.

The PLO claims that Israel has also paid only Shk20m of

Arafat: poor aid response

Shk180m in VAT payments due to the Palestinian treasury, although Israel denies this.

Alone, Gaza-Jericho is not economically viable in terms of public finances, say donors, and it is suffering a serious shortfall in revenue. Total Palestinian revenue from taxes from October to the end of March is estimated at $76.9m, compared with total expenditure of $234.5m. Only $36.6m of financing is available to cover the shortfall of $124.9m.

This lack of funds is making it increasingly difficult for Gaza to pay its police and civil servants, at a time when their morale and effectiveness is vital. The recent revival in Islamic extremism has put Mr Arafat under even greater pressure to contain violence, for which a properly paid police force is essential. Expenditure for the police for the six months to March 1995 is estimated at $42.9m.

But efforts to get aid to help pay the police have so far met with limited success. Donors are traditionally reluctant to spend taxpayers' money financing a police force or the salaries of a finance ministry. At a meeting in Gaza on November 9, donors said they would pay salaries for no more than the 9,000 policemen agreed between Israel and the PLO at the time of the peace deal, although Gaza now has 10,800.

Gaza's economic position has also been made harder by the Israeli closures of its borders, which have prevented tens of thousands of Palestinians travelling to their jobs inside Israel. Mr Savir strongly defends Israel's closure policy, despite the cost to the peace process, saying it has forced Mr Arafat seriously to address Israel's security concerns.

But the closure has heightened the need for jobs to be created. In this area, too, the aid programme's inflexibility has been much in evidence.

"The situation in Gaza is more dangerous today than before the peace agreement was signed," said Mr Larsen. "The gap between expectations and delivery is so large, so critical and unless donors get together to deliver, the peace process will fail."

And this is the message that is being conveyed to donors in Brussels. A covering letter to the meeting signed by Mr Bjorn Tore Godal, Norwegian foreign minister, in his capacity of chairman of the donors committee, says: "Time is of the essence if we are to deal with the budgetary shortfall of the Palestinian Authority so as to implement the process of long-term economic development and political stability."

Donors will be asked to make two strategic decisions. First to commit themselves to providing $120m-$125m until March 31 1995 to pay salaries and running costs for police and civil servants and to finance the budget deficit of the Palestinian Authority.

Second, they are being asked to divert up to 20 per cent of the grants and loans for long-term projects into short-term employment generation, mainly small-scale public works. The World Bank and the UN is appealing for donors to fund $100m worth of public works projects that will create 20,000-40,000 jobs within the next six months.

"What we are asking for from Israel and the donors is peanuts in global terms," said Mr Houleila, the senior Palestinian aid official. "But without the money and faster implementation, the impact on our side and on the entire region will be massive. The tension is very high and the Palestinian Authority desperately needs to build its credibility by making visible economic changes."

Ralph Atkins on the prospects of a shakeout among direct-selling insurers in the UK

A certain lack of drive

Are the UK's telephone-based motor insurance companies that sell policies direct to customers running out of puff?

The pioneering Direct Line company, set up by Mr Peter Wood nine years ago in conjunction with Royal Bank of Scotland, was doing all it could yesterday to dismiss suggestions that the current motor premium price war would jeopardise its future expansion.

Nevertheless, City forecasts for Direct Line's profits next year were cut after the company admitted the price war was having an impact, albeit "marginal", on its profitability.

Its admission was the latest sign that the UK direct private motor insurance market – selling via the telephone, and cutting out brokers and their commissions – is becoming increasingly crowded. With 15 direct sellers in operation, competition is fierce; rumours of possible casualties in the next few years are growing.

"There will be a shake-out among the 'directs'. The winners will be those that have got the money to stick with it ... Anyone who starts to write [policies] now is not going to succeed unless they come up with a radically different approach," says Mr David Campbell, insurance industry specialist at actuary Bacon & Woodrow.

Bacon & Woodrow figures suggest that, between 1990 and 1993, the private motor insurance sector only broke even – in spite of large increases in premium rates. "The market as a whole doesn't make money. It is a question of who makes money and who loses it," says Mr Campbell.

Motor premium rates are falling steeply as new "direct" companies cut prices to grab market share. The most profitable will be those able to keep their claims plus expenses lowest as a proportion of premiums (operating ratios).

Direct Line is well placed to ride out the current price war, with one of the lowest operating ratios in the business. But Mr Wood acknowledges that the doubling in Direct Line's pre-tax profits, to £110.1m in the year to the end of September, is unlikely to be repeated.

Hence Direct Line was eager yesterday to outline its long-term plans for a joint venture to sell motor insurance directly in Spain and to develop new product areas – particularly mortgages, saving products and life insurance – as well as expand its portfolio of household property policies.

Some other "direct" companies are not faring so well, especially those new in the market that face large start-up costs, including the heavy advertising spending needed to build a customer base. Bacon & Woodrow calculates, for example, that last year the operating ratio of Churchill, the direct selling company owned by Winterthur of Switzerland, was among the highest in the sector, possibly because aggressive pricing had cut its premium income.

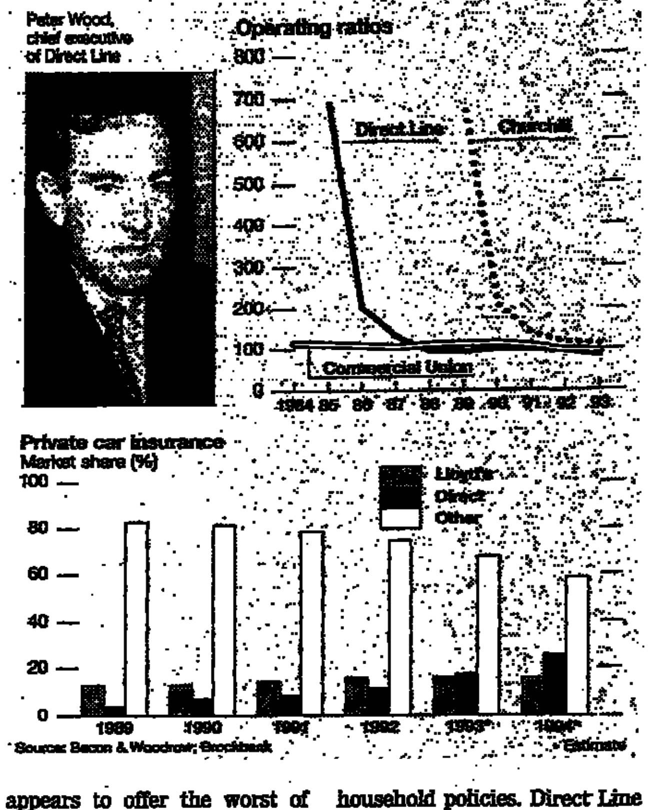
Some established insurers that still rely on broker networks have also been able to undercut the operating ratios of the "directs" by using the same computer technology to improve their risk assessment, thereby increasing profitability.

According to Direct Line's Mr Wood, some of his rivals have achieved only a lacklustre performance because of their failure to be sufficiently original in following his lead. With motor insurance policies now sold by telephone as if they were relatively simple commodities, the first into the market can quickly build brand recognition and exploit economies of scale.

Some appear to agree with Mr Wood, and have tried to aim for a particular target market. Admiral, the direct selling arm of Brockbank, one of the largest agencies running insurance syndicates at the Lloyd's of London market, has focused on higher-risk motorists paying more than £300 in annual premiums. In a flattering endorsement of its strategy, Mr Wood has followed Admiral by setting up a new company, Privilege Insurance, for the non-standard motorist.

But others which have set up "direct" operations in the private motor market have taken a more defensive approach. Commercial Union and General Accident, two of the UK's largest composite insurers, decided not to spend heavily on promoting CU Direct and GA Direct, which remain among the smaller operators in the private motor market.

At first sight, their stance



appears to offer the worst of both worlds: the expense of setting up a direct operation without the benefits that a substantial presence can bring. But there is a logic to such a strategy: given the ferocity of the competition in the private motor insurance market, there is little point in investing heavily now. But it may prove important in the long run to have built the expertise and capabilities needed to exploit the technology of telephone selling.

"We don't believe it is opportune at this time to push it heavily. Next year or after may be different," says Mr Nelson Robertson, group chief executive at General Accident.

The critical factors that will determine whether such caution is wise are the speed and extent to which direct selling techniques spread to other insurance products.

Already many direct selling insurers are expanding into household policies. Direct Line underwrote 523,000 policies in the past year, and the company believes there are substantial opportunities for selling other financial products by telephone. "People don't like driving down to the high street, waiting in a queue, getting a form as long as *War and Peace* and having to take a day off to fill it in," says Mr Wood.

Several companies are even studying the feasibility of selling property and motor insurance to companies without a broker network. Mr David Stevens, marketing director at Admiral, says: "Direct selling can work for any insurance product which doesn't require a huge degree of perceived risk or a huge perceived need for advice."

Cutting out brokers allows companies not only to cut costs, but also to break the "winner's curse" – that is, the tendency for brokers, if commissions are roughly equal, to sell insurance policies that have been underpriced, rather than policies that actually make a profit for the insurance company.

But others are more sceptical about the scope for expanding direct selling.

Many life insurance companies reckon UK regulatory requirements, designed to ensure consumers are properly informed before buying products, mean telephone interviews are suitable only for making an initial contact between seller and buyer. Similarly, the complexity of mortgage products may make them inappropriate for selling by telephone.

Moreover, Mr John Carter, Commercial Union's chief executive, argues it is far from certain that direct sellers can make the same inroads into home and contents insurance as they have in motor. Much of these markets is linked to the mortgage-providing business, where the main operators have the financial clout to defend market share in any price war.

"The opposition is not the high-street broker, it is the big banks, building societies and lending institutions that can react to the pressure from the 'directs' and find ways of competing with it," Mr Carter says.

Similarly, the profitable underwriting of small commercial policies requires careful risk assessment based on local knowledge, he argues. In the US, growth in direct sales of personal insurance products has slowed recently (though in the US, "directs" includes companies using tied sales agents as well as those relying on telephone selling).

But CU, along with most European composite insurers, nevertheless sees direct selling techniques becoming an increasingly important distribution channel. Though hesitant about joining the price war in UK motor insurance, CU is looking to build its share of the French private motor market via Eurofil, its direct selling operation in that country.

Insurance companies such as these want to ensure that they avoid the worst consequences of a shake-out in the direct UK private motor market – but not lose out to rivals as telephone selling spreads into new markets and products. Telephone sales in the motor market may be becoming more difficult, but the direct sellers are unlikely to pause for breath for long.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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British Gas bills policy a dangerous precedent

From Mr Keith Z Ord.

Sir, The British Gas monopoly has set a dangerous precedent in establishing a tiered price menu for its settlement charges on our gas supplies ("British Gas sets prices to reward good payers", November 18).

By discriminating price levels it seeks to channel payments to the direct debit system, through the high-street banks, to the detriment not only of cheque payments made in good time but also to the detriment of straight cash payments across their counters.

People paying bills by cash, immediately, are penalised by 5 per cent in comparison with direct debit customers. What is now to stop British Gas increasing this differential, by say, 10 per cent and forcing payments through direct debit? Is it to be in its gift to control such matters? Will others now think this is a very good wheeze? Has cash payment ever been so forcibly denigrated?

The banks admit that a high proportion of their consumer complaints are concerned with mistakes originating from direct debit arrangements, and of course these problems will now increase.

Good customers of British Gas, that is the majority, who pay their bills at the proper time either by cheque or cash and have done so for years, should not be set upon by schemes such as this.

What can the consumer do about it? Surely the thinking consumer might decide to change his policy too and, instead of paying his bills on time, delay them, keep the money in his building society to the last legal moment and use the interest so gained to claw back some of the 5 per cent penalty so unfairly laid against him.

And so, by its dangerous unilateral precedent, British Gas converts veteran blue-chip cash customers into payment laggards. The very thing it sought to avoid!

Keith Z Ord,
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EU confused on TV ownership

From Mr Leslie Hill.

Sir, Your Brussels correspondent's reminder that the UK government still has the power under clause 13 of the Industry Act to prevent foreign takeovers of UK manufacturers underlines the inconsistency of policies which have a European dimension ("Brussels tests Britain's power to block foreign takeovers", November 18).

It is ironic that the European Commission should be concerned to remove what it regards as an anomaly – which, so far as I know, has never been invoked – while at the same time allowing an unbelievably confused pattern of media ownership rules to apply throughout the European Union.

Manufacturing industry may be a theoretical no-go area for Britain's leading EU partners, though BMW and others seem to have been unaware of this. However, the broadcasting industry, one of Britain's growing international businesses, stands wide open to foreign takeovers. The 1990 Broadcasting Act permits 100 per cent ownership of an ITV company by any European organisation. That makes the current UK commercial television ownership rules unique in Europe. It is impossible for a British company to acquire 100 per cent of a television station in any other part of Europe.

National regulations vary, but the thrust of them, particularly in main markets such as Germany, France and Italy, is to make it impossible for a UK company to gain total control.

Media ownership rules should be consistent throughout the EU, and the Commission should concentrate on this issue rather than concerning itself with an unused clause of the Industry Act.

Leslie Hill,
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Confidence despite deficit

From Mr Abdul Karim Al-Mudaris.

Sir, Mark Nicholson has a journalist's right to report on Saudi Arabia ("Saudi budget may have to reflect some harsh realities", November 18) as he saw it during his recent visit. However, allow me to express an additional view as I and 51 British companies saw it during the British Aerospace/Arab-British Chamber of Commerce joint venture mission which met 329 Saudi companies in the kingdom earlier this month.

There was no denial in any quarter that there is a budget deficit. But there is annoyance in private sector circles that this is being played up in the west as if Saudi Arabia was unique in this respect – Germany, the UK and the US are not exactly paragons of budgetary virtue. This is especially so in the case of the US, which has been transformed from the world's largest creditor to the largest debtor nation.

Despite current short-term problems our mission members, in serious business discussions with Saudi counterparts, found large area of the private sector buoyant, liquid, and confident about the future. These were not naive people we met, but hard-bitten, experienced Saudi businessmen investing in technology and the expansion of their country's manufacturing sector.

The British companies were not fools either, and the fact that three of them are at the stage of agreeing to joint ventures, 17 are now actively engaged in further discussions with Saudi counterparts, and seven more expect to achieve licence agreements – out of 51 on the Mission – attests to the truth of what I write.

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Nutcrackers worth experiencing

From Mr Victor Hochhauser.

Sir, Clement Crisp draws attention to two simultaneous productions of *The Nutcracker* in London this Christmas season ("The FT Christmas show guide", November 19). The necessity for this arises from the fact that both the Birmingham Royal Ballet and the London Coliseum are only available during this period. The alternative would be to deprive London audiences of experiencing Peter Wright's glorious production.

Incidentally, Clement Crisp refers to New York City Ballet's *Nutcracker* and omits to mention that the same ballet is being presented simultaneously in New York by the American Ballet Theatre.

Victor Hochhauser,
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A proper pyramid

From Mr Dan Shuster.

Sir, I am writing with reference to the article, "Blueprint for two kinds of pyramid schemes" (November 19). The article clearly and concisely highlighted the differences between legitimate direct selling or multi-level marketing schemes and unethical pyramid selling schemes that are "dressed up to look like legitimate multi-level marketing plans or investment clubs".

Since 1992, Amway has been running the Business Awareness Campaign which is lobbying government to tighten the existing pyramid selling legislation so it protects the consumer from these unethical schemes. The campaign also aims to educate the public and opinion formers about the different types of direct selling so that any dubious or fraudulent schemes can be clearly identified and avoided. The campaign is fully supported by the Direct Selling Association and the Department of Trade and Industry and by members of Parliament from all parties.

The Direct Selling Association is currently drafting proposed legislative amendments with the support of the DTI so it may not be too long before these much-needed changes in the law are implemented.

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FINANCIAL TIMES

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Friday November 25 1994

Question of confidence

The small world of British politics has still not fully accustomed itself, two and a half years after the general election, to the fact that the government has an overall majority of less than 20. That makes parliamentary life more interesting. It obliges the government to deal carefully with its backbench supporters, and on occasion to take notice when even a tiny group of them feels strongly enough to consider voting with the opposition on a contentious issue, such as Post Office privatisation.

But it also obliges those backbenchers to weigh the consequences before carrying their independence into the division lobby. If they cause the government to be defeated more than once or twice, or on issues that are central to its programme, they not only reduce its capacity to govern (as Congress habitually does to US administrations) but also, since the UK is a parliamentary democracy, undermine the very basis of its existence as a government, which is the fact that it commands a majority in the House of Commons. That is why the government not only can but must call for a vote of confidence when it faces possible defeat on a substantial issue. It needs to know whether it still has a parliamentary majority or not.

In the present case, the government is clearly right to treat the European Communities (Finance) Bill as an issue of confidence. This bill is required to give effect to an agreement Mr Major negotiated two years ago, at a summit meeting held under his presidency. The agreement was regarded at the time as a successful resolution of a difficult issue, and advantageous for Britain in that it involved a smaller increase in EC resources (to which Britain is a net contributor) than some other member states wanted. Some Conservative backbenchers do not share that assessment, but they should accept that negotiating such agreements is a quintessential government responsibility. In such a negotiation, Britain expects its partners to deliver what they agree to, and they have a right to expect the same. A government that cannot rely on a parliamentary majority to implement such a commitment is not an effective government, or even a legitimate one. The issue is indeed one of confidence, and can only be treated as such.

If a prime minister loses the confidence of the House, he has two options: to resign, or to go to the Queen and seek a dissolution. In this case he has clearly indicated his intention to do the latter, and on Tuesday night Mr Kenneth Clarke revealed that the cabinet as a whole had agreed on this course. In these circumstances, and so long after the last election, it is most unlikely that the Queen would refuse to follow her prime minister's advice. The electorate would thus be the final arbiter – an arbiter with which, at the present moment, few Conservative MPs are eager for a premature encounter. Mr Major can therefore await the vote of confidence with confidence.

A sound message

If Europe's competitiveness problems could melt under sheer outpouring of words, most of the continent's economic woes would by now have disappeared. In contrast to many previous reports on the issue, including the European Commission's own white paper 12 months ago, yesterday's document from the European Round Table of Industrialists has the virtue of pithiness. By underlining structural shortcomings compared with the US and Asia, and concentrating on a few priority measures which even weak European governments might be able to deliver, the industrialists have made a sound contribution to the agenda for next months's European summit in Essen.

Their conclusions should help concentrate the minds of the new European Commission. First, Europe must use faster than expected economic recovery to correct imbalances in public sector finances that are weighing increasingly on the private sector. Second, priority must be given to completing the single market and ensuring that it works. Third, a tougher attack on state aids, powerful deregulatory reform and sensible infrastructure investment are needed to lower costs in energy, telecommunications and transport. Above all, the Commission and Council of Ministers should test their actions against the need to avoid unnecessary burdens on industry.

The business leaders wisely avoid lecturing trade unions about flexible labour markets. Because recovery is generating so few extra jobs, employment rigidities are softening even in Europe's most closely regulated economies, while real take-home pay for most people in work is still falling. Few bosses have had to face such sacrifices.

Along with a willingness to share burdens, Euro-industrialists need to show more evidence of another virtue: humility. The Round Table's credibility would be enhanced if it drew attention to industry's own part in Europe's declining performance. Europe's poor record in innovation, for example, cannot be blamed simply on failures in education. Along with undue government regulation, lack of flexibility in the big businesses represented on the Round Table is partly to blame for Europe's low employment growth. A majority of 1,500 European business leaders in a survey last week termed as inadequate their own investment in research and development and in training. In areas like this, self-analysis would shed useful light on industry's own ills.

The Round Table's underlying message, however, is clear. Failure to correct the continent's structural faults will drive Europe's larger corporations to shift a growing proportion of capital investment outside the EU during the next decade. If this happens, Europe's companies might continue to prosper; Europe would not. As they prepare for their trip to the Essen summit, that is a sobering thought for the EU's leaders.

Wrong track

It would be better not to have started from here. That is the sensible response to the government's proposed technique for valuing Railtrack, which owns British Rail's track, signalling and stations. In formally announcing Railtrack's privatisation yesterday before there exists a sensible mechanism for valuing it, ministers are putting their desire to raise funds above the need to ensure efficiency in the railways.

Privatisation could bring significant benefits to passengers. This summer's rail dispute might also have been concluded more quickly if Railtrack had been free to negotiate without regard to the public sector pay freeze. Yet it is doubtful whether the benefits will be as great as they should be. The heart of the problem is that the government has based the charges which train operators will pay Railtrack on an arbitrary valuation of Railtrack's assets and on an equally arbitrary target rate of return for Railtrack to earn.

The proposed asset value of £6.5bn is more than just debatable – a case can be made for higher or lower figures. It is based on sunk (or replacement) costs that are irrelevant to determination of the infrastructure's current value. As Mr John Swift, the rail regulator has noted, a more commercial approach to valuation is required. That value should be determined by discounting the appropriate level of future revenues at an appropriate rate of discount.

The government has approached the pricing question backwards. What needs to be worked out is the revenue Railtrack would earn if it charged prices that ensure efficient use of the railways. Those calculations should take account of the demand for rail transport, the capacity available and the marginal cost of increasing it. They should also allow for social and environmental considerations, such as the desirable balance between use of roads and railways. Given the uncertainties, it would be more sensible to value Railtrack only after the new system of franchises is working.

The proposed rate of return of 5.6 per cent, rising to 8 per cent within four years, is also unnecessarily steep for a utility. Partly because of this, the odds are that track charges will end up too high. This would hinder the emergence of competitive, entrepreneurial train operators and ensure socially inefficient underutilisation of capacity.

In principle, any overvaluation could be offset by higher subsidies from the Treasury. Yet the government would then find itself taking with one hand and giving back with the other. In practice, however, subsidies on the required scale would not be forthcoming. The government would then take its money, perhaps to finance a tax-cutting bribe, but leave the railways underutilised. Not for the first time, the promise of a privatisation would be vitiated by foolish decisions taken during the act of privatisation itself. The railways need to be put on a better track.

The sweetening of one man

Jurek Martin and Nancy Dunne analyse the political manoeuvres behind Clinton's deal to ratify the Uruguay Round

Robert Strauss, the US trade representative in the late 1970s, once described his approach to negotiating trade agreements and getting them approved by Congress as "half a teaspoon of sugar here, half a teaspoon there and pretty soon they are sweet".

The business has become more expensive – if not necessarily more subtle – since his heyday. Last November's successful battle to ratify the North American Free Trade Agreement linking the US, Canada and Mexico saw pork thrown around the congressional barrel as if all pigs were about to be slaughtered. This month's – over Gatt – came down to the sweetening of one man.

When Senator Robert Dole, the most powerful Republican in the US Senate, pronounced himself satisfied with the deal he had struck over congressional ratification of the Uruguay Round trade accords, more than President Bill Clinton breathed a sigh of relief. The eyes of the trading world had been focused on whether the US Congress would ratify the creation of a global trading regime due to come into being next January under the auspices of the new World Trade Organisation.

Waiting on the US, only about a quarter of the more than 120 members of the General Agreement of Tariffs and Trade have completed the approval process. The endorsement of the European Union has also been delayed by a legal wrangle, now resolved. International uncertainty has left even the choice of a head of the WTO up in the air.

Now, even US opponents of the new order concede that Mr Dole's endorsement has turned the tide. Next Thursday the outgoing Senate ought to put its seal on the Uruguay Round. The House of Representatives should have done its bit two days earlier since the bipartisan leadership – Congressmen Newt Gingrich for the Republicans and Richard Gephardt for the Democrats – is committed to approval. Political chickens are being counted with care but the assumption is that the deal has been hatched.

Mr Dole is no mean dealmaker himself, fond of squeezing the pips until they squeak. It must be assumed he knew exactly what he was doing in September when he announced that he was far from sure that consideration of Gatt should not be delayed until the new Congress convened in January. There were, he said, serious budgetary issues and weighty questions of US sovereignty.

This simple pronouncement made him the centre of the post-mid-term election political universe, even temporarily eclipsing Mr Gingrich. Nafta, not a perfect precedent but the best available, passed the Senate last year by 61 votes (including his) to 39. This is only one more than the 60 votes the Uruguay Round needs to pass a critical procedural hurdle – the waiving of budget rules – prior to a floor vote. While Mr Dole sat on the fence and even with a number of Democratic converts from the anti-Nafta ranks, the White House was conceding on Wednesday morning that it was a handful short of the magic 60.

It was not merely the administration, directed by one of its own better dealmakers, trade representative Mickey Kantor, that concentrated all its energies on Mr Dole. The anti-Gatt forces based their campaign in his home state headquarters in Wichita, Kansas, the "ground zero" of their campaign. Ross Perot, the 1992 presidential candidate, was in the city on Tuesday night addressing a rally urging rejection. The Dole office was receiving 2,000 calls a day against ratification before the phones were taken off the hook. Many of these were instigated by Mr Perot's organisation and by rightwing radio commentators.

For public consumption, the lobbying of the senator from Kansas was always more about pure politics than the merits of free trade, though all the usual arguments were given full public airing. The administration naturally claimed that Gatt amounted to "the biggest tax cut in history", that free trade created more high-paying American jobs, and that US leadership overseas would be gravely damaged if the treaty went down the tubes.

The opposition, encompassing left and right and with the Nafta experience fresh in the memory, warned that the Gatt-implementing legislation included "give-aways" for special interests in the fine print of the revenue measures of the enabling legislation. One of the better stunts was pulled by Mr Ralph Nader, the consumer activist, who offered to give $10,000 to charity if any member of Congress read the whole Uruguay Round agreement and then answered 10 questions of his own design. Only Senator Hank Brown, the Colorado Republican and a Gatt supporter, has taken him up – he sits the test before next week's vote.

But the essence of the deal that was finally confected – some favours for the agricultural interests so dear to any representative of the farm belt but, most important, the creation of a five-judge panel to ascertain if the WTO unfairly rules against US interests – was designed to give the senator the sort of political protection he craved.

For there can be no doubt after the mid-term elections that the old Republican support for free trade, so much a part of Mr Dole's own political career, is weaker now than it has been since the 1920s. Suspicion is rampant of any global body threatening US sovereignty, especially one with the menacing title of World Trade Organisation.

It is generally recognised that Mr Dole has both a managerial and a political problem with the resurgent right which, without this week's deal, could have been exacerbated by the Gatt. Not only would he be vulnerable to conservative charges of sacrificing US sovereignty to an unaccountable world panel, he would also, in the legislative process, have found himself voting for higher taxes. Under laws peculiar to the US, the loss of revenues from the lower tariffs of the Round must be offset by higher taxes and user fees. Putting down his marker on the right, Senator Phil Gramm of Texas, a likely rival of Mr Dole's for the party presidential nomination in 1996, came out early and said he could not vote for the budget waiver and its higher taxes, whatever he thought of the Gatt (after the Dole deal, he left the impression he would back the treaty).

Mr Dole has more than Mr Gramm to worry about in looking ahead to 1996. It is going to be hard enough simultaneously to run the Senate and a national political campaign. Early finance and good organisation are imperative, especially now that California and New York have moved their primaries up to March, front-loading and shortening the effective voting season. And big business – Mr Dole's potential underwriters – is pro-Gatt, while Mr Gramm, for one, already has plenty of money and political chits in his campaign bank.

Sometimes in the negotiations it seemed Mr Dole overreached himself. His attempt to link the Gatt to cutting taxes on capital gains – long on the Republican wish-list – got short shrift not only from the administration but also from business interests. Jerry Jasinowski, president of the National Association of Manufacturers, put it bluntly: "The consequences of killing the Gatt because of last-minute political manoeuvring over a capital gains tax cut are too great."

Even if the game is now over, the perception persists that the administration should never have been forced into the corner of dealing with Mr Dole. According to Julius Katz, a trade official under President George Bush, the lessons of footdragging over Nafta should have been learned. The additional taxes needed to offset the lost tariff income should have been in the budget for the 1995 fiscal year. It was known as soon as the Uruguay Round was concluded last December that such provisions would have to be made.

Then, in the search for extra revenues, the administration lighted upon licence fees on the operators of the new broad spectrum radio wavebands. This gave jurisdiction to the commerce committee chaired by Senator Ernest Hollings, the South Carolina Democrat and protectionist. In October he invoked congressional privileges forcing a 45-day delay in the Gatt vote.

Even assuming all goes to plan next week, the unintended consequences could be many. Other countries may want their own watchdog panel of judges. The entire dispute settlement process of the WTO, one of the main US objectives in the launch of the Uruguay Round, could thus be put at risk. But to Bob Dole, playing for high stakes today, that is tomorrow's problem.

The price of compromise

Guy de Jonquières on the concerns of US trade partners

This week's Washington compromise has relieved governments around the world, which feared that failure by the Senate to ratify the Uruguay Round this year would kill the global trade agreement stone-dead.

But now that much of this uncertainty has been removed, a new concern is troubling US trade partners: could the price paid by President Bill Clinton to secure congressional approval undermine the stronger multilateral trade system the round is supposed to produce?

Concern focuses on the president's acceptance of Mr Robert Dole's demand for a special commission of federal judges to review the operation of procedures for settling trade disputes in the World Trade Organisation, so as to safeguard US interests.

Effective disputes procedures are widely regarded as central to the WTO's chances of gaining the international credibility needed to establish its pre-eminence as policeman of international trade rules.

The Uruguay Round gives the WTO much stronger powers than those of the General Agreement on Tariffs and Trade. The biggest innovation is to require that disputes panels' reports be adopted unless there is a consensus to reject them – the reverse of Gatt practice. The mechanisms also cover new areas, such as services, and provide for a standing appeals body to hear challenges to panel findings.

The US has long advocated tougher Gatt disputes settlements procedures. Indeed, it has repeatedly cited their shortcomings to justify its controversial Section 301 trade legislation, which permits the US to retaliate unilaterally against other countries in trade conflicts.

But now stronger multilateral mechanisms have been agreed, the Clinton administration has been forced to appease anxieties in Congress that the new WTO will trample on US sovereignty.

In one sense, the review commission will make little difference. If it decided that WTO panels had ruled against the US unjustly in three disputes in five years, that would trigger a congressional vote on whether to withdraw from the organisation. However, Congress has always been free to vote to pull out of Gatt. In either case, the president could veto such a move.

More worrying is the risk that the commission could impair the disputes panels' authority. Much will depend on the precise remit handed to the judges, and how they exercise it.

If they were to pronounce on the substance of disputes cases, they could simply become a pretext for the US to reject any finding with which it disagreed. If, however, they focused strictly on whether panels have followed procedures fairly and correctly, their role would be more limited.

Even then, they could find themselves at the centre of political controversy. Expansion of WTO mechanisms to cover trade in services, and other activities inside national borders, will require the panels to rule on what Gatt members have hitherto considered the domain of domestic policy.

Some observers also expect a stream of early cases intended to test the extent of the panels' jurisdiction and set precedents in areas where WTO rules are sketchy. These cases could hand ammunition to isolationists in Congress – and other national legislatures.

Precisely for these reasons, however, some WTO supporters take a more positive view. They argue that US monitoring, if conducted objectively, will give the disputes panels an extra incentive to meet the high standards of jurisprudence needed to command respect.

Furthermore, they say, if the federal judges endorsed panel findings which went against US interests, they could make them politically more acceptable in Washington – and might even help improve the poor US record of implementing adverse Gatt disputes rulings.

The federal judiciary's reputation for independence from other branches of government also offers reassurance. However, such optimistic prognoses might have to be revised if the US example were widely emulated – particularly by countries less scrupulous about divisions between judicial and executive power. That could only heighten the risk that the WTO would be torpedoed by members intent on taking the law into their own hands.

OBSERVER

Taking the Mickey?

■ Guess who's coming to Disney? That grand old trooper Sidney Poitier, who has spent over 40 years in show business and starred in more than 40 films, has popped up on the board of The Walt Disney Company.

Poitier's reputation has stood the test of time better than Disney's. The first African American to make it big in Hollywood – he was knighted by the Queen in 1968 – Poitier has gone from strength to strength in his later years. Not so Walt Disney, which seems to have lost its stock market magic. Euro Disney continues to turn in hefty losses, attendance is sagging at US theme parks, and the death of Frank Wells and the noisy departure of Jeffrey Katzenberg put a big question mark over the group's top management.

Not surprisingly, Disney is keeping us in suspense about Poitier's latest role. The official release says that the academy-award winning entertainer will fill the unexpired term of the late Frank Wells, Disney's president. Does this mean that he is Wells' replacement?

And how old is Poitier? Disney says 67, the history books say closer to 71. Disney chief executive Michael Eisner was enjoying the Thanksgiving holiday yesterday, like the rest of the US, so no one was able to elaborate on his odd comment that "Sidney's talent is more than screen deep".

Shadowy

■ Wise move by Labour to unveil its shadow budget yesterday at Church House, Westminster? It will be recalled that shadow chancellor Gordon Brown had earlier defined the terms governing the validity of tax and spending commitments made by Labour MPs. On BBC radio, Brown said: "Unless you can quote me chapter and verse about commitments made in the House of Commons, then they were not made."

Just rewards

■ Warning – political gaffes can damage your career, unless you live in Brazil. Rubens Ricupero, who quit in September after a row about Brazil's inflation figures, is off to Rome as Brazil's next ambassador.

Ricupero, a lifetime diplomat and Brazil's fifth finance minister in two years, is apparently looking forward to the less demanding lifestyle in the foreign service.

His successor, Ciro Gomes, is also likely to be out of a job soon once the new president, the very same Fernando Henrique Cardoso, takes over on January 1. Given that Gomes has spent most of his period in office bad-mouthing businessmen and making enemies in government, not even Brazil's magnanimous diplomatic service is likely to find him a bolt hole.

'Come Monday, we could be on the 1922 Committee'

Crossed line

■ Direct Line, the Royal Bank of Scotland's pushy phone-based insurance outfit, seems hell-bent on selling ever more complex products, such as life insurance and mortgages. But despite yesterday's impressive increase in profits, Direct Line's expansion plans have been met with scepticism.

Hence, it will be heartened by yesterday's press release from another firm headed "Customers say yes to phone-based mortgages". Any concern that complicated financial matters like mortgages can't be properly handled over the phone has been dispelled by research, said the release.

And who has Direct Line to thank for this timely observation? The Household Mortgage Corporation, the UK's largest centralised lender, which will be Direct Line's number one competitor.

Quavering

■ What was that faint tremolo perceptible during the Vienna Philharmonic's otherwise exemplary performance at London's Royal Festival Hall on Wednesday evening? With not a single Frau to be seen among the players, could it be that even this notorious bastion of male chauvinism is quaking at the prospect of Austria joining the European Union band and hence being forced to play in tune with Brussels' equal opportunities legislation?

Honk for Oui

■ Given the streak of recklessness that seems to possess your average Belgian when placed behind the wheel of a car, proposals by transport minister Elio di Rupo to raise the speed limit by 10 kph to 130 kph – to bring things in line with neighbouring France – might seem academic in the extreme.

Nonetheless, it is a notion upon which – surprise, surprise – the Flemings and the Walloons cannot agree. Quite why those pro the increase should be the Francophones, while the Dutch speakers all duly line up on the side of the nays, is less than clear to a non-Belgian. But there are more motorway accidents in Flanders. Which in turn is explained less by the fact that Walloons make yet crazier drivers, than by the existence of a different order of hazard – the regional police force. The latter installs nightly check points – which seem to have the reverse of their intended effect of cutting down the accident rate.

Right on

■ So much for the musings of one of the Conservative party's vice-chairmen on the course of European history. Patrick Nicholls resigned for his indiscretions, but no one seems to be getting upset by another outburst of Eurofriendliness under Westminster's nose. The bunkered cabinet war rooms under Whitehall used by Winston Churchill during the second world war have for some while been advertising themselves in London tube stations with a poster featuring Adolf Hitler and the slogan *"Ein Volk, ein Reich, ein Führer"*. It signs off sweetly: "Without the cabinet war rooms, a united Europe would have happened a lot sooner."

FINANCIAL TIMES
Friday November 25 1994

UK MPs are advising group on trade with Iraq

By Jimmy Burns, William Lewis and James Whittington in London

Two Conservative MPs, including the parliamentary assistant to Mr Malcolm Rifkind, defence secretary, are advising a commercial lobby group which wants to boost trade between Iraq and the UK.

The MPs are Mr Henry Bellingham, parliamentary private secretary to Mr Rifkind, and Mr Michael Colvin, chairman of the Conservative Foreign Affairs Committee. They have been advising the Iraqi British Interests Group, which in August organised one of the first British trade delegations to Baghdad since the Gulf War.

"They have advised us on who to speak to in Whitehall," said Mr Edmund Sykes, secretary of the IBI, "if we want to seek advice on how to avoid breaking United Nations sanctions, how would we do so."

Mr Bellingham said: "I have no regular contacts with the IBI."

In a separate development, 34 major British and European companies are to begin exhibiting in Baghdad next week in an attempt to win contracts from the Iraqi government.

Companies from Germany, France, Austria, Spain and Britain involved in the health and water treatment sectors will be exhibiting at two separate trade fairs in Baghdad.

Companies fear being left out of trade with Iraq ......Page 7

One of the trade fairs is being organised from the UK by Orient Exhibitions, a Kent-based company.

Mr Andrew Maclean, a director at Orient, said the companies attending the fair would include Zeneca, the pharmaceutical group, Weir Pumps, the Glasgow-based engineering group, and Johnson & Johnson, a major supplier of medical products.

In September, Mr Stephen Crouch, the IBI's director-general, travelled to Jordan with Mr Bellingham, the MP for Norfolk North West. The MP had an informal meeting with a senior official from the Iraqi foreign ministry on September 3.

Mr Bellingham, who has been PPS to Mr Rifkind since 1990, said his visit to Jordan was private. "It was a private visit paid for myself as a backbench MP," he said.

Mr Bellingham said he was not told in advance that he would be meeting the Iraqi official at a social engagement.

He subsequently informed officials from the Foreign Office and Ministry of Defence of the meeting. "They were grateful that I'd informed them," he said.

In a letter obtained by the Financial Times, Mr Crouch states that with Mr Bellingham he met several Jordanian government officials and that "we also met with a delegation from the Iraqi Ministry of Foreign Affairs in order to listen to their point of view".

Japanese party's name is true to character

By William Dawkins in Tokyo

It is not always easy to pack a message into a name.

That is the moral of 'the national search for a new name, concluded after a tortured debate last night, by Japan's alliance of nine political opposition groups.

The alliance, due to transform itself into a mega-party at a mega-party on December 10, settled briefly on an English name only to change its mind twice before announcing the final version, the New Frontier party. It is imbued with more meaning than its apparent blandness might suggest.

Party officials had asked the public to fax to Tokyo headquarters suggestions for a title that would evoke "the newness and freshness of our group...and perhaps also imply such qualities as environmental awareness and international responsibility."

The winning offering, chosen yesterday from 100,000 suggestions sent in by party friends and supporters, was shin-shin-to, the literal translation of which is New-new party.

It won the most votes from a poll of the party's 213 upper and lower house parliamentarians, advised by a panel of 15 academics, media folk and artists, including the shapely Ms Fumio Hosokawa, a former pin-up girl unrelated to the former prime minister of that name.

It was, officials said, a demonstration of the open style of democracy with which the new party hopes to challenge the backroom ways of the ruling Liberal Democratic party's factional barons.

The party's name could have been worse. Runners-up included the Party of Hope, the New Wind party, the Pure New party and the Human party. Plain New-new party, while snappy, was thought an injustice to the subtlety of the kanji characters of which it is composed, an example of how written Japanese can be as impenetrable to native-speakers as it is to foreigners.

The second character of the name means something more than just new – something like progress, or advance, explained one of the NFP's political advisers.

So it was that the title started yesterday evening as New Progressive party. Officials thought, on reflection, that sounded "odd" and changed the translation a few hours later to New Frontiers party, before Ms Hosokawa's panel finally lopped off the "s" and called it a day.

Endearingly, one of the party's advisers confesses that the second, forward-looking, "shin" is not entirely appropriate because the NFP is dominated by conservatives – former members of the ruling LDP.

Confused? That's Japanese politics.

Tanker liability crackdown threatens US oil supplies

By Charles Batchelor, Transport Correspondent

The threat of a US oil shortage this winter has increased in recent weeks in spite of urgent efforts by shipowners and the insurance industry to find a solution to tough new financial liability rules on tankers.

Pressure on the shipping industry and the US administration is intensifying with little more than a month before the December 28 deadline for tanker owners to prove they can meet the financial consequences of an oil spill.

The US Coastguard has approved the liability arrangements made by the owners of nearly 300 tankers. But that is only one-third of the number needed to maintain oil shipments to the US, shipowners said yesterday.

Intertanko, an organisation representing many of the world's independent tanker owners, has written to Mr Federico Pena, the US transport secretary, calling for urgent action to prevent "profound economic disruption" to the international tanker community and to the US economy.

Attempts to persuade the coastguard to delay implementation of the deadline have been unsuccessful. Mr Miles Kulukundis, chairman of Intertanko, called upon Mr Pena to allow "a reasonable extension" to the deadline.

"The danger to the US is immediate," Mr Kulukundis warned. "The maritime supply-lines that provide the US with petroleum extend thousands of miles... Voyage times run close to 40 days. The markets are already showing signs of dislocation."

Two insurance schemes to provide additional cover to oil tanker owners have been accepted by the US authorities. But shipowners remain concerned that these are insufficient to cover the costs of an oil spill.

The problems follow a tightening of rules governing financial liability in the wake of the Exxon Valdez disaster off Alaska in 1989. The coastguard has set higher limits on the "certificates of financial responsibility" for shipowners from December 28.

The limits have been increased to $1,500 per gross registered ton per year, but if a court finds that a shipowner or tanker captain guilty of gross negligence, the liability could be unlimited. Intertanko fears that a minor act of negligence leading to an oil spill could be treated as "gross negligence" by the US courts.

The coastguard's National Pollution Funds Centre said it had issued a further 195 certificates of financial responsibility, bringing the total available to tanker owners to 296. Companies with certificates include Shell International Shipping for 44 vessels, Bergesen for 40 vessels and Union Carbide Corporation for one vessel.

The insurance schemes which have obtained approval are First Line, arranged by Stockton Reinsurance of Bermuda, which will provide cover of up to $150m (though a higher limit is being sought) and OPAClub, a mutual liability arrangement created by brokers Willis Corroon and Sedgwick Marine, which plans to provide cover to $250m.

A third arrangement, Shoreline Mutual Management, providing $300m of cover on top of the $700m available to shipowners through their protection and indemnity (P&I) club, has yet to win approval.

The problem with the schemes is that shipowners fear a court might still be able to pin higher financial liabilities on them or on their P&I Club.

EU rebels threaten to challenge Major

Continued from Page 1

required number, but they were claiming a groundswell of anger against Mr Major.

Advocates of a contest suggested that potential rebels could choose to back the government in the vote on the EU budget but then indicate they had lost confidence in the prime minister by backing a challenge.

That brought acknowledgement from cabinet colleagues that a contest was possible. But one senior minister insisted last night the latest storms had strengthened rather than weakened Mr Major's determination to stay.

Mr Major drew comfort from the re-election of Sir Marcus Fox as chairman of the 1922 committee of backbench MPs. He had been accused of not representing forcefully enough the views of backbench MPs to the prime minister. But he beat off a challenge from the Eurosceptic Sir Nicholas Bonsor.

THE LEX COLUMN

Privatisation on track

Running railways, as the US railroad barons demonstrated in the late 19th century, can prove hugely lucrative. Whether Railtrack, whose privatisation was announced yesterday, can emulate them, or ends up a mere puffing billy, remains unclear.

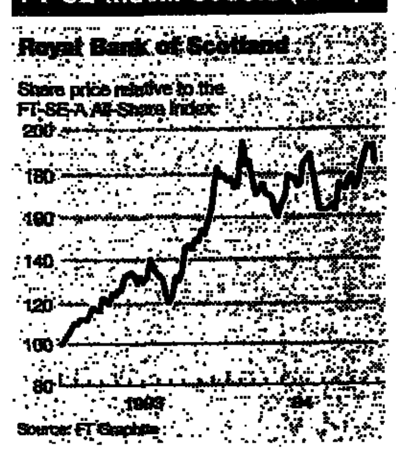
In theory, Railtrack should prove the former. On the cost side it can, like the utilities, make substantial post-privatisation savings. Prospects are also promising for revenues. Railtrack should significantly increase yields on its £2bn property portfolio, currently at just 7 per cent. It may also repeat BAA's trick of raising passenger spending at retail outlets at its stations.

Admittedly, Railtrack's main income will initially come from fees paid by train companies for using its network and their price will be set by a regulator. But if privatisation is successful in generating greater usage of the rail network, revenues from track fees could rise too. With petrol prices due to increase in real terms over coming years, halting the long-term decline in rail travel may not prove the tall order that some think.

If the opportunities are considerable, so too are the risks. A brake van on the company's progress will be politics. Labour, well ahead in the opinion polls, remains implacably hostile to private ownership of the railways. Though a Labour government would probably not renationalise Railtrack, it might well interfere with its regulatory framework.

By contrast, while the Tories remain in power, there will be doubts about their commitment to subsidise heavily loss-making routes in the long-term. Such concerns may not derail privatisation, but they could reduce the amount Railtrack fetches.

FT-SE Index: 3036.6 (+9.1)



Source: FT Graphite

Direct Line

The figures from Direct Line were splendid, a tribute to the company's success in pioneering the telephone-based marketing which has revolutionised the personal sector of the UK insurance industry. But for all management's confidence in the future, one can sense future stagnation.

For one thing, Direct Line failed to meet its target of 2m motor customers. Then there was a slight increase in the company's expense ratio, disappointing in the light of the 48 per cent growth in premium income. All this points to growing competition in the direct sector. This is especially the case in motor insurance, where premiums are coming under increasing pressure and claims levels are set to rise after an unusually favourable patch. Direct Line remains well ahead of its competitors in terms of cost management, but margins are set to fall.

These factors alone will not stop growth in pre-tax profits to £160-£170m next year and perhaps £200m in 1996. They point, however, to growing pressures which limit the scope for expansion thereafter. It is not yet clear that Direct Line's new ventures in financial services and life insurance will be able to pick up the slack. Hence the drop yesterday in the shares of Royal Bank of Scotland, Direct Line's parent. The shares have performed better than those of any other bank in the past two years, chiefly because of Direct Line. But as doubts about Direct Line's future growth intensify, it is likely that RBS will lose some of its premium rating.

Market-making

Sir Bryan Carsberg has caused another minor storm in the City. Last week, the Office of Fair Trading's director-general published a report lambasting underwriting commissions. Yesterday, it was the ability of market-makers to keep large share trades secret for 90 minutes – and in some cases five days – that attracted his ire.

Such secrecy is typically justified by market-makers on the grounds that it gives them time to off-load the risk of trading large blocks of shares: requiring them to be open is rather like asking poker players to reveal their hands.

But the OFT thinks market-makers who handle large trades gain valuable information, from which secrecy gives them time to profit. Two alleged anti-competitive consequences follow. First, big market-makers – which handle most large trades – have an unfair advantage over smaller rivals. Second, market-makers are so worried that they may be hit by a large trade being unwound that they defensively widen the dealing spreads for normal-sized trades. Investors suffer through not getting the best prices for normal-sized deals.

The thesis is plausible enough but fuzzy. The OFT is vague on exactly what information market-makers gain from handling large trades and how they profit from it. Moreover, there is no compelling evidence that dealing spreads for normal-sized trades are wider than they need be. If the OFT is to press ahead with its attack on secrecy, it must be more convincing in showing that there are victims.

Allied Domecq

There is no reason to doubt the strategic logic of Allied Domecq's purchase of Pedro Domecq earlier this year. But it is disconcerting to see the Mexican market – which accounts for half Domecq's profits – turning down so sharply, so quickly. Why was Allied not able to see this coming?

Confidence in the group's deal-making prowess has taken a dent, especially as it is now clear that due diligence ahead of the Domecq deal did not dig so deep as to reveal in which part of the year the Spanish company earned the bulk of its profits.

There is little consolation for shareholders in Allied's disingenuous protestation that there would be no earnings dilution from the deal, but for Mr Ramon Mora-Figueroa's decision to exercise his "put option". The option, obliging Allied to buy the outstanding shares in Domecq, is being exercised, and the purchase will dilute in the current year as a result. It is not surprising, under the circumstances, that Allied's share price dropped by more than 3 per cent yesterday.

Across the group as a whole, operating performance was poor, with only modest underlying growth in spirits and retailing. The 9 per cent drop in Carlsberg-Tetley's operating profits provided more evidence of difficult conditions in the UK beer industry. The shares will struggle to maintain a market rating, given the pedestrian outlook for earnings growth in the next few years.

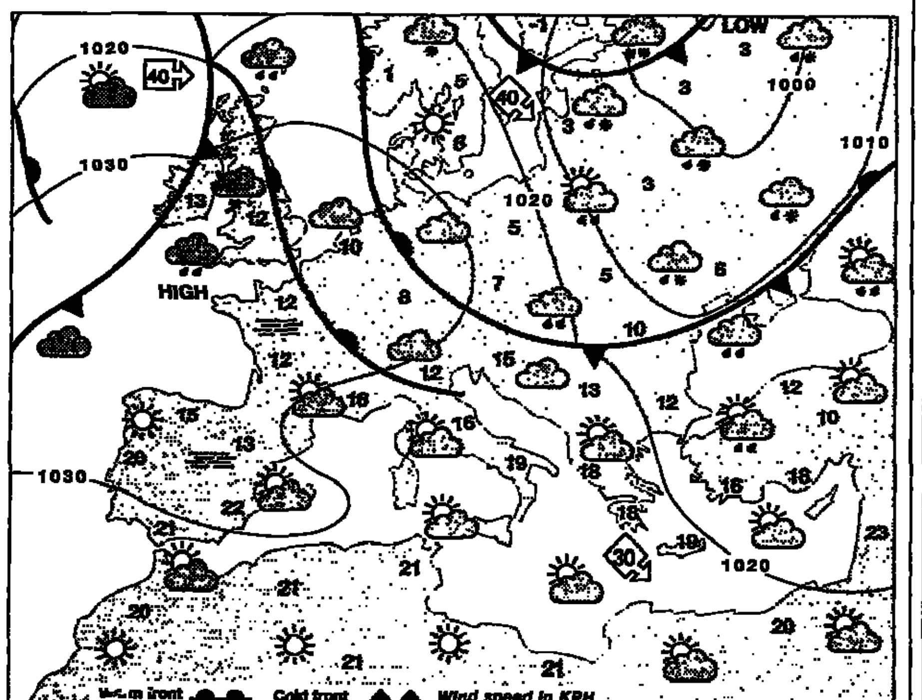
FT WEATHER GUIDE

Europe today

High pressure will continue to produce calm conditions over most of western Europe. Only Ireland and Scotland will have outbreaks of rain owing to a nearby frontal system. Elsewhere, it will stay mostly dry with cloud and some local fog. Southern France, Spain and Portugal will have plenty of sun, but also lingering fog patches. Central Europe will be mostly cloudy with light rain. Only northern regions will have sunny intervals. Cold air across Russia will be drawn south and will reach the northern Balkans later today. As a result, eastern Europe will stay cloudy with outbreaks of rain developing. Northern regions, will have snow. Italy and Greece will have a lot of sun with pleasant temperatures.

Five-day forecast

On Saturday, a frontal system will bring rain to the Benelux. This front will be followed by another high pressure system bringing cloud and mist to western and central Europe. Eastern Europe will remain cold, and Turkey and Greece will be colder. Scandinavia will be milder. Thunder showers will develop in the Mediterranean area from Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	sun	8	Caracas	fair	29	Faro	sun	21	Madrid	fair	18	Rangoon	sun	33
			Belfast	rain	12	Cardiff	fog	12	Frankfurt	cloudy	8	Majorca	sun	20	Reykjavik	rain	6
Abu Dhabi	sun	30	Belgrade	fog	12	Casablanca	sun	20	Geneva	fair	11	Malta	fair	20	Rio	fair	25
Accra	fair	34	Berlin	shower	7	Chicago	fair	5	Gibraltar	fair	19	Manchester	drzzl	12	Rome	fair	19
Algiers	sun	21	Bermuda	shower	24	Cologne	drzzl	9	Glasgow	rain	11	Manila	fair	30	S. Frsco	fair	13
Amsterdam	cloudy	11	Bogota	fair	20	Dakar	fair	29	Hamburg	cloudy	8	Melbourne	cloudy	21	Seoul	fair	7
Athens	fair	18	Bombay	sun	33	Dallas	fair	18	Helsinki	cloudy	-1	Mexico City	fair	23	Singapore	thund	30
Atlanta	fair	18	Brussels	cloudy	11	Delhi	sun	26	Hong Kong	fair	28	Miami	fair	26	Stockholm	cloudy	5
B. Aires	thund	28	Budapest	cloudy	10	Dubai	sun	31	Honolulu	fair	28	Milan	fog	10	Strasbourg	fog	8
B.ham	cloudy	12	C.hagen	fair	7	Dublin	drzzl	13	Istanbul	cloudy	11	Montreal	snow	0	Sydney	shower	27
Bangkok	fair	34	Cairo	fair	20	Dubrovnik	fair	19	Jakarta	shower	31	Moscow	snow	3	Tangier	sun	21
Barcelona	sun	18	Cape Town	sun	23	Edinburgh	rain	11	Jersey	fog	11	Munich	drzzl	8	Tel Aviv	fair	19
									Karachi	sun	32	Nairobi	shower	25	Tokyo	fair	14
									Kuwait	shower	24	Naples	sun	19	Toronto	cloudy	4
									L. Angeles	sun	21	Nassau	fair	27	Vancouver	rain	7
									Las Palmas	sun	25	New York	sun	10	Venice	fair	13
									Lima	fair	23	Nice	fair	18	Vienna	drzzl	10
									Lisbon	fair	18	Nicosia	fair	19	Warsaw	cloudy	5
									London	drzzl	12	Oslo	fair	4	Washington	clear	11
									Lux.bourg	fog	8	Paris	cloudy	12	Wellington	fair	18
									Lyon	cloudy	11	Perth	shower	23	Winnipeg	fair	-11
									Madeira	sun	22	Prague	rain	5	Zurich	cloudy	9

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 25 1994

IN BRIEF

MoDo upbeat after return to profit

Shares in MoDo, the Swedish pulp and paper group, rose 5 per cent after it announced that profits after financial items soared to SKr1.01bn ($136.8m) from a SKr427m loss, and it painted a bright picture of prospects. Page 16

Bayer and Hoechst in dye merger
Bayer and Hoechst are to merge their textile dyes operations into a joint venture in an attempt to revive profits and defend their market shares against low-cost competitors. Page 16

Canadian bank doubles earnings
Toronto Dominion Bank, Canada's fifth largest, more than doubled earnings in its latest fiscal year to C$683m (US$497.5m). Page 16

Direct Line suffers
Direct Line, the UK's largest private motor insurer, admitted that fierce competition had led to a slight fall in its operating efficiency. Page 16

Danone buys Argentine stake
Danone, France's largest food group, is paying $240m for a controlling stake in Bagley, an Argentine biscuit manufacturer. Page 17

Body blows knock Alcatel
Alcatel Alsthom is reeling from body blows that have rocked the French telecoms, transport and engineering group since the beginning of the year. Page 17

Extra space helps Storehouse
An increase in selling space helped Storehouse, owner of the BHS and Mothercare retail chains, to lift interim sales 7 per cent and operating profits from retailing by a third. At the pre-tax level, profits doubled to £24.2m ($40m). Page 20

Record term for Johnson Matthey
Johnson Matthey, the UK precious metals technology group, has reported a record first-half performance and said there was every chance that this would continue in the second half. Page 21

Babcock back in the black
Babcock International, the UK engineering contractor, materials handling and facilities management group, returned to profit in the half-year to September 30. Page 22

'Mini-CAP' for E European farms
Mr Rene Steichen, the European Union's agriculture commissioner, endorsed a "mini-CAP" to help eastern European farm industries. Page 36

De Beers digs into Namibian diamonds
De Beers, the South African group that dominates the world diamond business, has secured its position in Namibia for the next 25 years – or until the diamonds run out. Page 36

Brazilian market recovers
Share prices in Brazil recovered yesterday after a traumatic few days' trading which had seen the main Bovespa index down 12 per cent from a week ago. Back Page

US changes rules on one-off charges
Tighter accounting regulations in the US are about to make the process of taking big restructuring charges less attractive. Such one-off charges have become the fashion as the country's biggest companies overhaul their operations to make themselves more competitive. Page 8

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Bk	737.3	+	14.6
Holzmann	850	+	38
Leifheit	615	+	15
Rosenthal	230	+	10
Falls			
Asko Prf	685	–	10
Mitglacht	109.5	–	33.5
PARIS (FFr)			
Rises			
Air Liquide	713	+	32
Canal Plus	880	+	31
Cred Fonc	601	+	19
Imm France	430	+	20
Synthelabo	211	+	9.4
Falls			
Banc Comp	556	–	12
TOKYO (Yen)			
Rises			
Dowa F&M	596	+	21
Falls			
Daimaru Inc	685	–	30
Hitachi Kok	974	–	46
JEOL	657	–	39
Makita Corp	1710	–	100
Oki Elec	686	–	31

New York closed.

LONDON (Pence)			
Rises			
Abbey National	406½	+	8½
Airsys	13	+	4
Brit Aerospace	443	+	9
Business Post	154	+	15
Eurotunnel Uts	263	+	16
Macdonald Mar A	705	+	30
Magnum Power	135	+	10
Metrotect	71	+	7
Phonelink	218	+	8
Standard Chtd	281	+	10
Telegraph	354	+	6
Falls			
Allied Domecq	555½	–	19½
Billam (J)	123	–	19
Caledonia Invs	860	–	25
Kleeneze	138	–	18
Manchester Utd	625	–	14
Royal Bk Scot	425	–	17½
Smith (WH)	447½	–	14½
SW Elect	732	–	31

German chemicals group expects 50 per cent rise in earnings this year but presses on with cost cuts

BASF trebles and expects more growth

By Christopher Parkes in Frankfurt

BASF, the German chemicals group, expects a 50 per cent increase in pre-tax earnings to DM1.6bn ($1.07bn) this year after profits more than trebled in the third quarter, Mr Jürgen Strube, chairman, said yesterday.

Forecasting further growth for the coming two years, Mr Strube said he expected his main objective – a 10 per cent return on capital – to be achieved in 1996.

After that, he was counting on less pronounced expansion and increased competition in the closing years of the decade.

He announced a 99 per cent rise in earnings for the first nine months to DM1.2bn on sales up 7.6 per cent at DM32.4bn.

The sharpness of the recovery was gratifying, Mr Strube said. But he added that he was not satisfied with profitability and would press on with cost reductions. This would entail a further 4,000 job losses during 1995, following more cuts this year.

Mr Strube said fixed costs had been cut by DM1.4bn in the past three years, and further economies worth DM100m had been made in the nine months to the end of September.

Group payroll costs in the review period had fallen 3.3 per cent.

The company would reinforce its less cyclical businesses including pharmaceuticals, natural gas, plant protection and fine chemicals, he added, complaining of continuing pressure on producer prices while raw material costs continued to rise.

Pharmaceuticals sales are expected to rise by a third to DM3bn when negotiations to buy the UK Boots group's drugs operations are concluded.

Mr Strube expected the talks to be completed by the end of the year, and to be followed by an integration programme.

Apart from the geographical synergies between the two groups' drugs operations, he said Boots' blood pressure and diabetes treatments were especially interesting.

Addressing workers' concerns over possible job losses in his first public remarks on the deal, he said adjustments would be required on all sides.

An interim report published yesterday showed higher operating profits in all divisions except oil and gas. However, earnings were again reduced by extraordinary items, especially write-offs of plastics, fibres and consumer products plant in the US.

North American sales rose 3 per cent in the period, and while European sales increased 8.5 per cent, turnover in Germany fell 0.6 per cent.

Asian, Australian and African sales showed the strongest growth, increasing 12 per cent.

Decision due on foreign role in Telekom sale

By Andrew Fisher in Frankfurt

The German government will today end weeks of waiting by naming which US or European bank will play the main foreign role in the DM15bn ($9.7bn) privatisation of Deutsche Telekom.

The announcement by the postal ministry at a press conference in Bonn follows several days of uncertainty about when the names would be made known.

The decision was expected on Monday and then postponed. Because Deutsche Telekom intends to list its shares in the US, the position is almost certain to go to a New York-based bank.

Merrill Lynch of the US is regarded as one of the strongest candidates, with Goldman Sachs, Morgan Stanley and Salomon Brothers also prominent among the 22 banks which made presentations in Bonn. Some bankers said the government favours Merrill Lynch, while it is understood that Deutsche Telekom's choice is for Goldman Sachs.

Among UK banks hoping for a parallel or subordinate foreign role are Kleinwort Benson, S.G. Warburg and N.M. Rothschild. European banks have lobbied strongly for one of them to play a prominent part in the issue, scheduled for the first half of 1996, because of the experience of UK investment houses in handling large privatisation deals. They have also argued their case on political grounds.

Dresdner Bank and Deutsche Bank are expected to be appointed joint lead managers of the issue, in which a quarter of Telekom's shares will be sold in the first privatisation tranche; the second will take place in 1998. Dresdner Bank is likely to oversee the domestic share side and Deutsche Bank the international.

Like the recent privatisation of Lufthansa, the national airline, which raised just over DM1bn, the Deutsche Telekom issue is expected to be "ring-fenced" with banks restricted to consortiums covering broad geographical areas. Some banks have criticised this procedure as too inflexible.

● The DM530m share offer by Hanover Re, the world's fifth largest reinsurance group, was subscribed twice over with foreign investors taking more of the issue than expected, Commerzbank, the lead manager, said yesterday.

The issue, which closed on Tuesday, was the seventh biggest on the German stock market for 10 years. Foreign investors accounted for about a third of the shares, which traded unofficially yesterday at just above the offer price of DM75.

Hungary hotel talks collapse amid row

By Nicholas Denton in London and Virginia Marsh in Budapest

International investment banks in Budapest yesterday accused Hungary of scuttling the sale of Hungarhotels, the country's largest hotel chain. They also cast doubt over the country's commitment to privatisation.

The row broke out as negotiations collapsed between Hungary's State Property Agency and American General Hospitality of the US over the tender for 51 per cent in state-owned Hungarhotels.

Mr Ferenc Bartha, privatisation commissioner, said: "We are in negotiation ... and the board will decide."

Western investors and their advisers have taken the deal as a litmus test of the socialist government's intentions on privatisation.

The controversy mars Hungary's efforts to sell shareholdings in telecommunications, electricity and gas utilities and to raise $1.5bn over the next 12 months.

AGH bid $61m for the stake in Hungarhotels to better a rival offer of about $45m from Intercontinental Hotels of Japan and the authorities last week named AGH as preferred bidder.

But the social security fund, led by allies of the socialist government, has mounted a campaign to stop the deal.

Intercontinental also lobbied against the tender outcome which would have left it without a flagship hotel in Budapest.

The Hungarian negotiators demanded AGH pay a 25 per cent premium and investment bankers said they suspected the authorities wanted to force AGH to withdraw.

The SPA board meets next week to decide on the Hungarhotels tender but it would require a climbdown by the SPA at the meeting next week to save the deal.

Hungary insisted that AGH raise its bid although the US company emerged from a three-way competitive race. Deloitte & Touche, the accountants, concluded that the bid was 20 per cent over market value.

The government has previously promised to speed up privatisation and foreign investment. The sale of Budapest Bank, a state bank, is in its final stages. But only one significant sale to western investors has gone through since the former communists returned to power after elections last May.

The fund manager's 'free lunch' comes under scrutiny

Regulators start to take a hard line on soft commissions

Soft commissions, often criticised as the proverbial free lunch for fund managers, are under scrutiny by regulators around the world.

Last week Mercury Asset Management, the UK's largest fund management group, disclosed that, from next January, it will no longer deal under soft commissions agreements. These arrangements (known in the US as "soft dollars") involve a broker paying for goods and services for a fund manager, in return for receiving a minimum amount of commissions from the manager.

MAM is 75 per cent owned by investment bank S.G. Warburg, which itself is an active soft commission broker. The fund manager says its decision is largely a reflection of the growing resistance among UK pension funds to soft commissions.

Critics claim that soft commissions lead to a subtle form of bribery in which fund managers, eager to obtain the free goods and services, "churn" client accounts to generate the requisite level of income. Moreover, there is a fear that in order to meet the targets, fund managers direct business through brokers who may not offer the best prices for securities.

"Softed" services typically include research provided by a third party, or information services such as Reuters or Bloomberg screens – services which fund managers would normally have to pay for themselves. "If I didn't accept soft commissions, I would have to either lower my profits or raise my fees," said one leading UK fund manager.

Fund managers say the softed services make them better at their jobs, and so benefit clients. And soft commission brokers say there is nothing much different between their activities and those of stockbrokers: in both cases, fund managers are paying commissions to receive services (research material, in the case of traditional brokers). "All we are doing is unbundling the service," said an executive at one firm which executes all its business on a soft-commission basis.

Many regulators are unconvinced. US Securities and Exchange Commission chairman Mr Arthur Levitt said the practice "doesn't feel right, smell right or taste right". This is despite the fact that, at around $750m in 1993, or 30 per cent of all commissions paid, the business is a large practice in the US.

Regulators around the world are following a similar pattern in trying to control the business: first they have sought to restrict the range of goods or services available under "softing" deals, and then they have pushed for better disclosure.

In developed markets such as the US and UK, the first steps were taken in the 1980s, and attention has now switched to disclosure. The SEC is expected to publish proposals for greater disclosure of soft commission arrangements in January. Mr Ken Berman, an SEC staff member working on the proposal, says the result is likely to be a requirement for fund managers to produce "some kind of report to investors that deals only with soft dollars". For the first time, fund managers are expected to give details of the amount of soft commissions they engage in, and the services they receive.

In many developing markets, – particularly in Asia, where soft commissions have soared on a wave of equity investment from the US – regulation is still at the first stage.

In Hong Kong, regulators have proposed restricting the practice of giving fund managers cash rebates for minimum levels of business – a variation on softing which is already banned in the US and UK. According to solicitors Linklaters and Paines, softed goods and services in Hong Kong can include tickets to sporting events, and it is difficult to see how these benefit the end-client.

Hong Kong's Securities and Futures Commission is proposing to ban cash rebates unless prior consent of the end-client has been obtained, and to ban fund managers from accepting softed services that do not demonstrably benefit clients. It also proposes that transactions with "connected persons" – such as the stockbroking arm of a fund manager's parent company – must be conducted at arm's length.

Meanwhile, regulators say that the increasingly international nature of investment has made soft commissions more difficult to regulate.

Indeed, critics of Hong Kong's efforts to crack down on soft commission abuses point out that local fund managers may be prompted to move their businesses to rival centres such as Singapore or Tokyo to get around the regulations. MAM says the one part of its business which will still accept soft commissions is a small unit-trust operation in Tokyo.

While soft commissions are just arriving in developing markets, the practice is fast being overtaken in developed countries such as the US by an alternative practice. "Directed commissions" involve a fund manager's own client capturing the benefit of commission payments, rather than the fund manager. Clients ask their fund manager to arrange for part of their commissions to be directed to a broker who will pay for services such as the client's own performance measurement fees, or fees for investment consultancy.

According to Greenwich Associates, the US consulting firm, around a half of all US pension funds engage in directed commissions. As the practice spreads, it seems certain it will eat into fund managers' profits.

"The real question we are debating is 'Who does commission really belong to?'," said one fund manager. "Increasingly, the fund manager's client is seeing commission as his asset, not the fund manager's."

Norma Cohen, Richard Waters and Simon Holberton

Allied Domecq ahead

Brendan Corr

Allied Domecq, the UK drinks and retailing group, increased interim profit 16.5 per cent despite a setback in Mexico, Page 16; Lex, Page 14

Japan banks fail to arrest slide

By Gerard Baker in Tokyo

The long earnings slump at Japanese banks showed no signs of abating yesterday as the leading lenders reported sharply lower profits for the six months to the end of September.

The gradual removal of the pile of bad loans accumulated in the collapse of the Japanese property market in the past few years was reflected in bigger write-offs of bad debts. The provisions for problem loans caused a further slide in pre-tax profits, but they also began to make inroads into the outstanding total of disclosed bad loans, which now appears to have passed its peak.

But the asset quality problems were compounded by rising interest rates and weak demand for lending which cut into banks' core business profits. Aggregate operating profits at the 11 leading banks fell 6 per cent from a year earlier to Y1,092bn (£7bn). Write-offs of bad loans cut pretax profits 41 per cent to Y233bn.

Between them the 11 banks wrote off Y1,341bn in non-performing loans, up 60 per cent. The outstanding balance of non-performing loans fell by Y222bn to Y3,726bn. But these figures include only loans to bankrupt borrowers and loans on which no interest has been paid for at least six months. They do not include restructured loans, where interest rates have been pared to keep borrowers from going under. Real problem loan totals are thought to be up to double the disclosed figures.

Full story, Page 18

INTERNATIONAL COMPANIES AND FINANCE

Toronto Dominion doubles earnings

By Bernard Simon in Toronto

Toronto Dominion Bank more than doubled earnings in its latest fiscal year, and has raised its dividend.

The bank, Canada's fifth largest, lifted earnings to C$633m (US$497.5m), or C$2.14 a share, in the 12 months to October 31, from C$275m, or 82 cents, a year earlier. The quarterly dividend has been increased to 22 cents from 20 cents a share.

Fourth-quarter earnings soared to C$195m, or 62 cents a share, from C$82m, or 25 cents.

The bank said it was especially pleased with the improvement in its loans portfolio. Loan losses, originally forecast at C$450m, totalled C$345m, in spite of an extra general provision of C$38m.

As a result, fourth-quarter write-downs were only C$32m, down from C$150m last year.

Non-performing loans dropped to C$727m on October 31 from C$1.22bn a year earlier.

The bank forecast a further improvement in 1995, based on continued economic recovery and momentum in new businesses.

Klöckner back in profit with DM5m for year

By Michael Lindemann in Bonn

Klöckner Werke, the German industrial group which shed its steel interests last year, yesterday said it was back in profit.

The group, now centred on its car parts division and bottling plants, made a DM5m ($3m) profit following a DM196m loss last year, according to preliminary figures for the year to September. Final results will be available in February. Operating profit rose to DM106m, compared with a loss of DM324m last year, while turnover fell to DM4.1bn from DM6.1bn following the sale of the group's steel works.

The company said it would make "further significant improvements" next year.

Bayer and Hoechst form textile dye joint venture

By Christopher Parkes in Frankfurt

Bayer and Hoechst are to merge their textile dyes operations into a 50:50 joint venture in an attempt to revive profits and defend their market shares against low-cost competitors in Asia.

The new company, expected to be established in mid-1995 and with aggregate annual turnover of DM2bn ($1.3bn), will mark a further important step in the consolidation of the German chemicals business.

It follows a series of cross-border and inter-company deals which started in the recent recession as German chemicals groups strove to regain competitiveness and reinforce their companies better to withstand future cyclical slumps.

Hoechst said markets for dyes had been subjected to deep-seated changes by new producers, notably in low-wage countries in Asia, which had led to losses.

"It is to be expected that this situation will become more severe," it added.

The new company will be based in Germany, while US operations are expected to be joined in a partnership.

Most of Hoechst's PVC business has already been merged with the German chemical group Wacker's operations in a new company, Vinnolit, which is looking for a further partner to increase its critical mass.

The group's plant protection business has also merged with that of Schering into a so-far successful venture, AgrEvo, which recently forecast sales of DM3.35bn this year and profits of about DM270m.

AgrEvo yesterday announced the purchase of a majority stake in Stefes, a private agricultural chemicals distribution company with annual turnover of DM80m.

● Net earnings at Henkel, the German chemicals and consumer products group, rose 15 per cent to DM485m in the first three quarters of the current year as restructuring measures started to pay off.

Sales rose marginally to DM10.5bn, according to an interim report, but fell in Germany.

Reporting sales increases of 16 per cent in Asia and 12 per cent in the US, Mr Hans-Dietrich Winkhaus, chairman, said he aimed to reduce the company's dependence on Europe, and improve its position in consumer markets.

Price fears hit Direct Line

By Ralph Atkins and Alison Smith in London

Fears about the impact of an insurance premium price war hit Direct Line, the UK's largest private motor insurer, yesterday in spite of a doubling in its pre-tax profits.

Shares in the company's parent, the Royal Bank of Scotland, fell 17½p to 425p after Direct Line admitted fierce competition had led to a slight fall in its operating efficiency.

Mr Peter Wood, the chief executive who founded Direct Line in 1985, emphasised the company's progress in building on customer base by selling personal loans and mortgages.

Analysts were disappointed at lower-than-expected growth in the number of motor and household policies sold by Direct Line and suggested competitive pressures affecting all insurance companies meant its profits growth would slow.

Pre-tax profits were £110.1m ($172m) in the year to September – up from £50.2m last time.

The latest figure includes the £21.4m payment last January to Mr Wood after he was bought out by the Royal Bank of Scotland and placed on a salary.

Several leading City securities houses cut profit forecasts for next year to about £130m-£140m.

Direct Line said competitive pressures, marketing expenses and investment in improving accidental damage management, had led to a "marginal" increase in its expenses-to-premiums ratio. Total premiums written increased to £608.2m from £409.5m.

Direct Line also announced plans for its first expansion outside the UK – a joint venture with Bankinter, the Spanish bank.

Lex, Page 14

Norsk Hydro upgrades PVC sites

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly-quoted company, plans to invest NKr700m ($102.9m) to increase the capacity of its PVC plants in the UK and Norway.

It is also scrapping plans for a new plant in Rafnes, Norway, and will not expand output in Stenungsund, Sweden.

The company will strengthen its position in the UK market by upgrading capacity by 60,000 tonnes at its PVC plant at Aycliffe, north-east England. The plant has annual production capacity of 130,000 tonnes.

Hydro is the UK's second-largest supplier of PVC and commands about 25 per cent of the market.

In Heroeya, Norway, where it has a PVC plant with an expected lifetime of no more than three years, the company intends to lift annual production by 15,000 tonnes to 80,000 tonnes. Production in Norway is aimed primarily at the Scandinavian market, where Hydro has a 40 per cent market share.

The company believes worldwide consumption of PVC will rise by 5 per cent annually towards the year 2000.

"Today, PVC production in Europe does not fully cover demand, and PVC prices are rising," said Mr Haakon Langballe, president of Hydro's petrochemicals division.

UK drinks group shrugs off setback in Mexico

By Roderick Oram in London

Allied Domecq, the UK-based drinks and retailing group, has shrugged off a setback in the Mexican spirits market to report a 16.5 per cent rise in interim pre-tax profits to £310m ($486.7m).

With spirits, wine and retailing showing only marginal growth overall, financial items accounted for almost all the rise in profits, from £266m a year earlier. Finance charges fell £20m, to £80m. Disposals brought a £2m profit against a loss of £21m a year ago.

Trading profits rose £1m to £388m on turnover up 5.5 per cent at £2.87bn. Mr Tony Hales, chief executive, said the group would make further progress in the second half because of underlying growth and a full contribution from Domecq, the Spanish drinks group Allied acquired earlier this year for £809m.

Domecq, which contributed two months' trading profits to the first half, suffered a 5 per cent fall in sales volumes in Mexico because of political and economic uncertainty. Allied said the local market should recover next year. In contrast, Domecq's Spanish volumes rose 13 per cent. Integration of Domecq into the group was going well.

Trading profits from Allied's existing spirits and wines businesses rose £1m to £153m. In the UK, Teacher's whisky, Beefeater gin and Harveys sherry all lifted market share.

Lex, Page 14

CSM advances 11% to Fl 164m

CSM, the Dutch food and ingredients group, said net profit rose by 11.4 per cent to Fl 164.1m ($94m) in the year to September 30, on turnover up 4.6 per cent at Fl 2.64bn, writes Ronald van de Krol in Amsterdam.

The company, traditionally the first Dutch group to report annual results, said it would announce the level of its 1993-1994 dividend on January 3.

MoDo shares rise 5% as higher prices fuel recovery

By Christopher Brown-Humes in Stockholm

Shares in MoDo, the Swedish pulp and paper group, rose 5 per cent yesterday after it announced better-than-expected results for the first nine months, and painted a bright picture of prospects.

Profit after financial items soared to SKr1.01bn ($136.8m) from a SKr427m loss in the same 1993 period, as rising prices and strong demand drove up capacity utilisation and sales.

It upgraded its full-year profit forecast to between SKr1.7bn and SKr1.9bn, excluding one-off items, mainly because of the higher prices. Last year, it suffered a SKr449m loss.

The company also announced SKr3bn worth of new investments, including a SKr2.1bn outlay on a new newsprint machine at its Braviken plant. The machine will have a capacity of 270,000 tonnes a year.

MoDo's results echoed the strong trend already displayed by Sweden's other big forestry groups, Stora, SCA and AssiDomän. Group sales rose 15 per cent to SKr14.4bn; operating profits increased to SKr1.65bn from SKr456m; and financial expenses fell to SKr638m from SKr883m.

Mr Bengt Pettersson, chief executive, said: "Continued high capacity utilisation and the successive impact of price rises have led to strong growth in the third quarter. All our business areas showed better results."

The biggest turnround was at the group's fine paper unit, MoDo Paper, which swung from a SKr403m operating loss to a SKr387m profit.

However, the forestry, packaging and paperboard units also staged a strong profits recovery. Foreign units, where currency factors had earlier hit competitiveness, returned to profit in the third quarter.

MoDo has recently agreed to sell its packaging division and stakes in Swiss and Canadian operations. The disposals will release around SKr1.6bn of capital. Its B shares – briefly suspended before the results announcement – closed at SKr349, up SKr16.

Atlas advances 44% in term

By Christopher Brown-Humes

Atlas Copco, the Swedish engineering group, yesterday announced nine-month profits of SKr1.31bn ($176m), up 44 per cent from SKr910m in the same 1993 period.

It reiterated its forecast that full-year earnings would be "considerably higher" than last year's SKr1.32bn profit.

Sales rose 12 per cent to SKr15.2bn, due mainly to increased volumes.

The group said it had achieved significantly higher sales in France, Germany and the UK during the third quarter.

However, it said the trend in Japan, the Middle East and North Africa remained weak.

Orders were 13 per cent higher at SKr16.0bn.

Mr Michael Treschow, president, said: "The level of orders received from the manufacturing industry and the mining sector is expected to continue to improve in Atlas Copco's main markets."

Compressor technique and industrial technique were the strongest divisions, both in terms of results and orders.

The compressor technique division saw earnings rise 45 per cent to SKr1.03bn, mainly because of increased volumes which lifted sales by 16 per cent to SKr7.22bn.

Orders were 14 per cent higher at SKr7.50bn.

Profits in the industrial technique division also benefited from higher volumes, rising 105 per cent to SKr308m.

A weaker trend was seen in the construction and mining division, where profits fell to SKr32m from SKr97m because of restructuring costs.

The company said it planned to close its Bremen drilling equipment plant in Germany, switching production to Orebro in Sweden to achieve synergies.

Avesta Sheffield returns to black

By Christopher Brown-Humes

Avesta Sheffield, the Anglo-Swedish stainless steel producer, said yesterday increased sales, higher prices and cost-cutting had underpinned a strong swing into the black at the nine-month stage.

The group, 49.9 per cent-owned by British Steel, had profits of SKr858m ($116.2m) compared with a SKr77m loss in the same 1993 period, after a strong third quarter when profits surged to SKr427m from a SKr56m deficit.

Avesta forecast a further improvement in the final three months. It said volume and productivity gains achieved in the first half would allow higher prices to translate into stronger results in the quarter.

Mr Per Molin, president, said: "The strength of European and world demand has been maintained through the summer period and appears to be firm into 1995. Prices and margins continue to improve."

The group saw nine-month sales rise to SKr12.3bn from SKr10.7bn. Third-quarter sales were up 13 per cent at SKr3.97bn, in spite of the seasonal holiday slowdown.

Avesta said the recovery in the European stainless market had continued. It noted that European producers had increased deliveries of cold-rolled flat products by 27 per cent in the third quarter, while prices were 24 per cent higher than in the first three months. In the US and Asian markets, demand was also strong.

INTERNATIONAL COMPANIES AND FINANCE

Danone acquires controlling stake in Argentine group

By John Ridding in Paris

Danone, France's largest food group, yesterday took a significant step in its strategy of expanding in South America, announcing it was paying US$240m for a controlling stake in Bagley, an Argentine biscuit manufacturer.

Under the terms of the agreement, which gives Danone its first foothold in Argentina, the French group is to take a shareholding of just over 50 per cent in Bagley.

The Argentine company, founded in 1864, has more than 30 per cent of the country's biscuit market. It has an annual turnover of about US$300m, 90 per cent of which comes from biscuit sales.

The company's principal brands include Criollitas, Traviata and Kesitas. It has two production sites, in Buenos Aires and in San Luis.

According to Danone, the Argentine biscuit market is the most dynamic in Latin America, expanding by 11 per cent in 1993. In terms of size it is second to Brazil, where Danone is present in biscuits and yoghurt products.

Yesterday's deal is the latest in a series of acquisitions by the French group, which is seeking to expand its presence in Asian and American markets and in fast-growing sectors.

In May, when the group said it was changing its name from BSN, it announced that it was taking a 49 per cent stake in Campineira de Alimentos, the Brazilian biscuit group, establishing a dairy joint venture in Russia, and raising from 24 per cent to 100 per cent its holding in San Miguel, the Spanish brewer. Danone has subsequently expressed interest in acquiring the Colman's food and drinks businesses of Reckitt and Colman of the UK.

A spokesman for the group said that it was not necessary to raise fresh capital for the acquisition of Bagley. He said that the gearing level of the company was about 25 per cent, based on net debts of FFr11bn ($2.06bn) at the end of June. Annual cash flow at Danone is about FFr3.5bn.

Bologna banks plan a 'merger of equals'

By Andrew Hill in Milan

Credito Romagnolo and Cassa di Risparmio in Bologna yesterday claimed their planned merger would eventually realise commercial and efficiency savings of more than L700bn ($435.6m) before tax over 10 years, and improve customer service.

The two banks, both based in Bologna, announced a merger at the beginning of this month, shortly after Credito Italiano (Credit) of Milan revealed it was planning a L2,000bn bid for control of Credito Romagnolo (Rolo).

Yesterday the groups' chairmen refused to take questions about the promised hostile bid from Credit. But they continued the policy of stirring up local pressure against the Milanese bid by underlining the strong regional identity of their own banks.

The merger, which will be submitted to Rolo's shareholders for approval on December 19, has a head-start over Credit's plan because it has already been approved by the Bank of Italy, which supervises the Italian banking sector. Credit has remained silent about its bid plans, while the central bank continues to examine the proposals.

Rolo, whose shares are quoted in Milan, will merge with CAER, the unquoted parent of Cassa di Risparmio in Bologna (Carisbo).

The banks yesterday described their plan as "a merger of equals". The foundation which controls CAER will have a 30.7 per cent stake in the enlarged group, and former Rolo shareholders will control 64.5 per cent.

The two companies plan to protect minority shareholders' interests with a list-voting system allowing them to nominate board members. Rolo's limit of 10 per cent on voting rights will also be maintained at all ordinary shareholder meetings.

Together the two banks will have assets of L61,056bn, and more than 500 branches, making them the 10th largest bank in Italy's fragmented financial sector. They also claim they would be the fourth most efficient bank.

French champion is left reeling on the ropes

Alcatel Alsthom has been shaken by shifting markets and corruption probes, reports **John Ridding**

Like a punch-drunk boxer, Alcatel Alsthom is reeling from a series of body blows that have rocked the French telecoms, transport and engineering group since the beginning of the year.

Since Monday, Mr Pierre Guichet, head of Alcatel CIT, the group's telecoms equipment subsidiary, has been detained in prison by an investigating magistrate probing alleged overbilling of France Télécom, the state telecoms operator which is one of the company's largest clients.

In July, Mr Pierre Suard, the company chairman, was placed under investigation on charges he used company funds for use on his private properties. Alcatel Alsthom's engineering joint venture with GEC of the UK has endured a strike which has halted production at several factories at the Belfort site in eastern France since the beginning of the month. It has issued two warnings concerning its expected profits for the year, while its share price has collapsed, falling by more than 50 per cent since its January high of FFr913.

The blows are all the more spectacular given the company's previous rise to the top of French industry. After taking the helm in 1986, Mr Suard built the company into one of the country's most profitable and most respected business groups. In 1993, it racked up profits of FFr7.1bn ($1.33bn), more than any other private-sector French group.

This year, net profits of about FFr4bn are expected – still a tidy sum, but the first fall since the company's rapid expansion was launched in 1987 with the acquisition of the European telecoms equipment operations of ITT of the US. Combined with its other woes, this has left investors shaken and rivals with a sense of *Schadenfreude*.

"It is quite a reversal," says one Paris banker. "People are now asking whether the giant has feet of clay." That is one important question. Others concern the reasons behind the company's change in fortunes and whether it can respond to such setbacks.

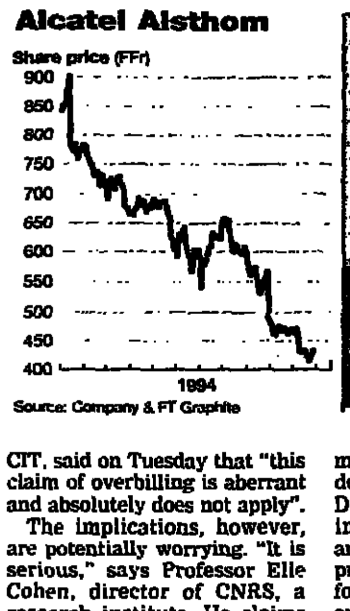
The company's ordeals partly reflect two fundamental trends confronting French industry: a campaign against corruption launched by an increasingly assertive judiciary, and the weakening of traditional ties between European state monopolies and private-sector suppliers. "Alcatel is a symbol of the challenges facing some big French industrial groups," says one electronics analyst.

On the first count, Alcatel's legal woes are among the most intractable of a series of corruption investigations which have hit several French business leaders. Although little has been heard of Mr Suard's personal case since July, when he was placed under investigation, the probe into Alcatel CIT, the company's telecoms equipment subsidiary, has broadened.

Mr Jean-Marie D'Huy, the magistrate pursuing the case, is assessing whether the company established a system of overcharging France Télécom for equipment. He has widened the investigation from transmission systems to alleged malpractice in the supply of switching systems.

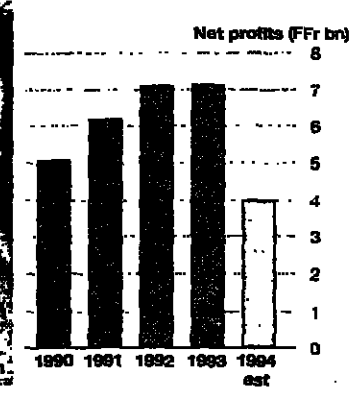
Alcatel firmly rejects any wrongdoing with respect to the ongoing probes. Mr Suard lambasted the failure to observe judicial secrecy in his investigation and has attacked the high-profile methods used by the magistrate. Mr Gerard Déga, vice-chairman of Alcatel CIT, said on Tuesday that "this claim of overbilling is aberrant and absolutely does not apply".

Alcatel Alsthom



Source: Company & FT Graphite


Pierre Suard, chairman



The implications, however, are potentially worrying. "It is serious," says Professor Elie Cohen, director of CNRS, a research institute. He claims Alcatel, like other European telecoms suppliers, has enjoyed a privileged relationship with the state telecoms monopoly but that such close ties are unravelling. This trend is a result of deregulation and increasing emphasis on profitability by national operators preparing for privatisation and increased competition. "The big problem for Alcatel is that this change in the relationship is now taking place in a poisoned climate," says Prof Cohen.

Alcatel does not break down its sales figures with respect to clients, but France Télécom is estimated to account for half Alcatel CIT's annual sales of FFr14bn. Contracts for the next two years are being negotiated.

Moves towards liberalisation in the telecoms equipment market have cost the company dear in Germany. The shift by Deutsche Telekom towards international specifications and tenders for its supplies has prompted a sharp fall in prices for companies such as Siemens and Alcatel. The average price of switching equipment has fallen by about 15 per cent in Germany this year.

At Alcatel SEL, the company's German subsidiary, the effects have been devastating. Mr Gerhard Ziedler, the chairman of Alcatel SEL says losses are DM1m ($643,500) a day.

Losses in Germany are one of the principal factors in the forecast reduction in profits at the group and have prompted a significant restructuring. This month Alcatel SEL said it planned to cut 5,300 jobs – almost one-quarter of the workforce – by the end of 1995.

Industry observers have welcomed the move. "They are finally biting the bullet in Germany," said one electronics analyst at a French securities company. But he expressed concern that Alcatel had taken so long to realise the extent of the problem.

The bigger question is whether Mr Suard's group can respond to the threats facing it. The chairman believes it can, arguing that 1994 will be the low point of the group's fortunes and next year will see an improvement.

Mr Suard will be helped in his struggle by several positive factors. In particular, Alcatel Alsthom is buttressed by its diversity, in terms of products and geographical spread, and by its strength in new technologies. While the European telecoms market is proving an Achilles' heel, the company has made significant progress in emerging markets, particularly China. This year it expects to supply the Chinese market with about 7m lines of switching equipment, more than for the whole of Europe.

Several operating divisions are also performing strongly. The acquisition this year of STC Submarine Systems from Northern Telecom of Canada has strengthened the cable division. In the US, Alcatel Network Systems has won significant broadband and switching equipment contracts from Pacific Bell, Bell Atlantic and other US telecoms groups.

Ironically, the profitability of GEC Alsthom – which manufactures power generating and transport equipment – has been a factor in the strike at several of its plants.

Trade unions, which are seeking to press companies to raise pay against a background of economic revival, claim that the company's financial position justifies their demands for a monthly salary increase of FFr1,500 – even though weakness in markets for some of its products, such as the high-speed train, the TGV, has prompted a cautious outlook from management.

The dispute is now winding down following a vote on Tuesday in which the majority of workers favoured a return to work and a call yesterday by the communist-led CGT union for the removal of pickets.

As for new products, the group reports strong success in its ATM and SDH systems. ATM, the latest generation of switching and transmission systems, is expected to play a strong role in the upgrading international telecommunications networks and the shift towards information superhighways.

Similarly, the SDH, a digital transmission system, is enjoying strong demand, particularly in the US, where the company expects to book orders of $700m this year, $200m more than expected.

Many industry observers concur. "Alcatel is in a solid position for the medium term," says Mr Jean Danjou, an analyst at Société Générale.

The problem, however, is the short term. The group is precariously positioned, confronted by a downward trend in profits and an increasingly complex legal tangle. It has yet to demonstrate it can respond.

BCE warns that 22-year run of dividend growth may be ending

By Bernard Simon in Toronto

BCE, the Canadian telecommunications group, has raised its dividend for the twenty-second consecutive year, but warned that the increase may be the last for a while.

The quarterly dividend, payable to shareholders registered on December 15, will rise by one cent a share to 68 cents.

The Montreal-based company, whose subsidiaries include Northern Telecom and Bell Canada, the country's biggest phone company, said that it planned to review its dividend policy next year "in the light of widespread changes in the telecommunications industry, which are creating growth opportunities for investment in new technologies and in new businesses".

Separately, Bell Canada International, BCE's offshore arm, named Mr Robert Kearney, a former chief executive of Bell Canada, to spearhead its expanding UK interests.

Belfast-born Mr Kearney, who was due to retire at the end of this year, will become deputy chairman of Bell Canada International Management, based in London.

BCE has a 20 per cent stake in Mercury Communications and a 42 per cent interest in Bell Cablemedia, the UK's third-biggest cable-TV operator.

BCH cuts payout after profits tumble 37.6%

By Tom Burns in Madrid

Banco Central Hispano (BCH), Spain's second biggest bank, yesterday cut its interim dividend by 31.8 per cent from Pta110 to Pta75.

At the nine-month stage BCH posted a 37.6 per cent fall in its pre-tax profits to Pta45.3bn ($349m) after putting aside Pta106.6bn in provisions, 33.7 per cent more than in January-September last year.

The dividend move, which was welcomed by analysts and institutions, is an unusual step for a domestic bank.

Ms Anna Macdonald of brokers Smith New Court said the cut had been expected. "When a bank is losing deposits and loans it has no option but to strengthen its balance sheet."

BCH's decision comes as it is improving its core banking business. At the end of September it had raised operating profit by 17.5 per cent to Pta104.9bn and net interest income by 4.1 per cent to Pta235.3bn.

ABB merges robotics and paint units

By Andrew Baxter

ABB, Europe's largest electrical engineering group, is merging its robotics and paint finishing businesses into a single company with 3,700 employees worldwide and expected sales this year of $1.1bn.

The new company, ABB Flexible Automation, will account for about 10 per cent of ABB's industrial systems and products segment.

It represents another step by Zurich-based ABB to simplify its structure, save on administrative costs and boost its market presence.

The former ABB Robotics claimed to be the world's largest supplier of robots and the paint finishing business was a leading supplier in the automotive paint systems market, worth about $2.5bn a year.

Both have been expanding through organic growth and acquisitions of companies such as Trallfa and Ransburg.

Mr Stelio Demark, president of the new company, said yesterday that, by merging the two businesses and exploiting their synergies, "we are in a good position to improve the overall profitability of our businesses".

The merger will not lead to any job cuts, said Mr Roland Nordstrom, chief executive of the UK arm of ABB Flexible Automation.

But savings could be made by merging administrative and other functions, and co-operating in research and development, he said.

The new name is seen by ABB as better reflecting the real capabilities of the business.

Why history has a habit of repeating itself at Hilton Hotels

Chief executive Barron Hilton is once again considering a sale or break-up of the group, writes **Richard Tomkins**

Hilton Hotels, the US hotel and casino group, has enjoyed three-quarters of a century of independence since Conrad Hilton went into business with his first hotel in Cisco, Texas, in 1919. Now, however, that era may be coming to an end.

Last week Hilton Hotels announced that it had appointed Smith Barney, the Wall Street investment bank, to explore the possibilities for "enhancing shareholder value". Top of the list of options was a possible sale or break-up of the company.

It was an unusual move: companies quoted on the stock market are more often seen resisting bids than inviting them. But Hilton Hotels' history helps explain why.

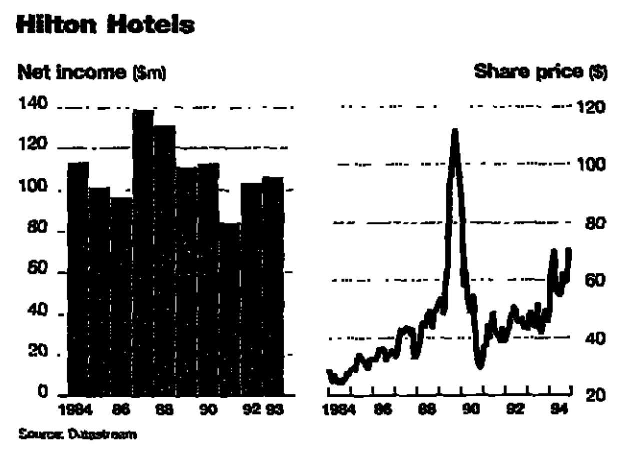
When Conrad Hilton died in 1979 – after a colourful life which included three marriages, one to the actress Zsa Zsa Gabor – he left nearly everything, including his 28 per cent stake in Hilton Hotels, to a charity set up to support Roman Catholic nuns.

Conrad's son Barron, chief executive of the company since 1966, spent 10 years challenging the will, arguing that his father had wanted the company to stay under the family's control.

Within weeks of triumphing and taking most of the charity's shares, he was inviting offers, saying he was only doing what his father would have done if he had seen the prices people were paying for prime hotels.

The expected rush of buyers, however, did not emerge. Some potential US buyers were out of action after the collapse of the junk bond market in autumn 1989. Japanese investors stayed away because of the controversy aroused by other recent Japanese acquisitions in the US; and other foreign buyers may have been deterred by the fact that Hilton Hotels had largely removed itself from overseas markets by selling its Hilton International division in 1966.

Hilton Hotels



Source: Datastream

In the end, only two offers were received, both worth about $76 a share – less than Mr Hilton was prepared to accept. But it was perhaps only a matter of time before he returned to try again.

The company today has more than 200 hotels in the US, mostly trading under the Hilton name, and a handful overseas, mainly trading under the Conrad name. More than half its operating profits – 64 per cent last year – come from its gaming interests, consisting mainly of its Nevada hotel-casinos.

Hilton Hotels' past financial performance has not been particularly impressive. Net income has moved sideways for a decade, fluctuating around the $100m mark (see graphic); last year the company made $106.1m.

This year, however, profits have been picking up. Although the gaming side has been suffering from the effects of increased competition in Las Vegas, the hotels have been benefiting from the strength of the US economy, which has brought better occupancy levels and rising room rates. Net income in the quarter to September rose by 32 per cent to $27m.

Stock market analysts say the company should fetch at least $80 a share, or $3.8bn, in an outright sale. Mr Bruce Thorp, an analyst at PNC Bank, points out that the company has some very attractive assets, such as the Waldorf-Astoria hotel in New York and the Hilton Hawaiian Village in Hawaii. Mr Harold Vogel, an analyst at Merrill Lynch, says: "The brand name alone must be worth $300m to $400m."

One company cited as a possible buyer is ITT, the US financial, leisure and manufacturing conglomerate. ITT recently put its ITT Financial subsidiary on the market at an asking price of $3bn to $4bn, saying it wanted to use the proceeds to expand in leisure and entertainment. ITT already owns the Sheraton hotel chain and has been planning to enter the Las Vegas gaming market.

Another possible buyer could be Ladbroke, the UK leisure and entertainment group; Ladbroke already owns Hilton International and has been seeking to expand its gaming interests.

Still, Mr Vogel thinks Mr Hilton may consider alternatives to an outright sale: for example, he could spin off the gaming interests and keep the hotel business that bears the family name.

Mr Terry Bivens, an analyst at Argus Research, agrees. "Mr Hilton has some very definite tax considerations at this point," he says – meaning that if Mr Hilton were to sell his 24.5 per cent stake in the company for cash, virtually all his profits would be taxable. Some other kind of deal – for example, a spin-off involving a stock swap – might give him the opportunity to take his profits over a longer period.

Not surprisingly, the uncertainty has led to caution in the stock market. Last time Hilton Hotels was put up for sale, many investors got their fingers burned: the company's share price plunged from $115½ at the peak of optimism about a deal to $49⅞ when the auction was called off. On Wednesday, the shares closed at $69¾, well below what analysts think an outright sale could fetch. Wall Street, it seems, has a long memory.

Bad loans continue to hit Japan's banks

By Gerard Baker in Tokyo

Banking

Rising interest rates, falling demand for bank lending and the continuing need to write off bad loans combined to produce another grim reporting period for Japan's leading banks in the six months to the end of September.

Aggregate pre-tax profits at the 11 "city" banks, the country's main retail banks, fell by more than 40 per cent from the same period a year earlier. Operating profit from the banks' core business activities declined by 6 per cent.

During the period both short-term and long-term interest rates ended their three-year decline and since the summer have been rising steadily. The structure of the city banks' assets and liabilities means that their borrowing costs change more quickly than the rates at which they lend. As rates began to rise, therefore, their already wafer-thin margins were squeezed further.

Worse, in spite of gradual economic recovery, demand for bank lending remains depressed as companies continue to adjust their balance sheets to rid themselves of the over-accumulation of capital investment in the late 1980s.

Interim results to September 1994 (Ybn)

Bank	Operating revenues	Change on year (%)	Recurring profits*	Change on year (%)	Net profits	Change on year (%)	Non-performing loans	Change on year (%)
Sumitomo.	1,359.9	+1.9	41.1	-35.6	24.5	-19.1	1,196	+83.4
Dai-Ichi-Kangyo	1,169.8	-8.5	25.5	+23.9	16.2	+0.2	1,278	-49.3
Mitsubishi	1,431.6	+0.7	7.9	-83.1	16.4	-39.0	555	-17.4
Sanwa	1,284.6	-2.7	34.4	-49.0	30.4	-23.6	801	-10.6
Fuji	1,297.3	-3.0	15.0	-53.0	13.0	-49.6	1,187	-1.1
Sakura	1,289.0	-6.3	40.6	+15.0	16.2	-7.3	1,447	-12.3
Bank of Tokyo	707.9	-9.5	30.8	-37.3	34.6	+14.7	231	-36.0
Tokai	697.1	-22.8	10.0	-18.3	9.6	-15.7	766	-2.0
Daiwa	554.8	+22.3	10.5	-46.6	7.4	-13.0	310	-53.4
Asahi	586.0	-14.6	15.3	-60.1	10.4	+3.0	479	-20.0
Hokkaido-Takushoku	224.0	-10.2	2.4	-70.5	2.6	-42.6	495	-13.2

*before extraordinary items and tax

Source: company reports

Total lending by the main banks has been registering consistent monthly falls for the last six months. The slump in demand caused a fall in combined operating revenues of 5 per cent from a year earlier to Y10,602bn ($108m).

At the pre-tax level, banks continued to suffer sharp falls as a result of their belated, but increasingly aggressive, provisioning for bad loans. Write-offs of non-performing loans were Y1,340.8bn, up by 35 per cent on a year earlier.

The total of disclosed outstanding non-performing loans was Y8,726bn, down by Y222bn from the end of March. However, these figures include only loans to bankrupt customers and loans on which no interest has been received for at least six months. They do not include restructured loans, where interest rates have been cut to keep borrowers afloat. Many analysts believe that if these figures were added to the disclosed bad loan figure, total non-performing loans would double.

Most banks continued to offset the damaging effects of the write-offs on their profits by selling part of their substantial holdings of equities in other companies. The largest six banks sold stocks on average to the value of two-thirds of their write-offs of bad loans. Without such sales profits would have been substantially lower.

Against the trend, and analysts' expectations, two of the city banks managed to report increases in pre-tax profits. Sakura Bank, which has one of the highest proportions of non-performing loans on its books, saw pre-tax profits rise by 15 per cent to Y40.6bn.

However, two factors helped the bank's performance: it sold the largest amount of equities of any of the banks – a total of Y153bn – and at the same time wrote off a smaller proportion of its bad loans. As a result the bank's disclosed bad loans, at Y1,446bn, are still above 4 per cent of its total loans.

Dai-Ichi Kangyo Bank, which saw pre-tax profits rise by 24 per cent to Y25.5bn, also wrote off a relatively small amount of non-performing loans.

The unique treatment of bad loans by Japanese banks was challenged in the wake of the mid-term results by a senior managing director at the largest bank. Mr Yoshifumo Nishikawa, of Sumitomo Bank, said it was time for banks to be more open about their non-performing loan totals and to move in to line with international practice by disclosing the real totals including restructured loans.

Sumitomo has been the quickest of the banks to acknowledge the scale of its bad loans, and yesterday announced that it had written off Y196.7bn in the six months to September, and planned to write off an additional Y300bn in the second half of the year, compared with Y228.4bn for the whole of the previous financial year.

Japan Telecom slips 42% to Y6.16bn

By Our Financial Staff in London

Japan Telecom yesterday announced a 42 per cent slide in interim unconsolidated recurring profits – before extraordinary items and tax – to Y6.16bn ($63m) from Y10.59bn a year ago.

JT is one of the leading domestic long-distance telecommunications concerns, and listed on the second section of the Tokyo and Osaka stock exchanges in September this year.

At the net level, profits declined by 29 per cent to Y4.05bn, compared with Y5.66bn, on sales 36 per cent higher at Y149.75bn, compared with Y110.38bn.

JT attributed the rise in sales largely to long-distance domestic phone services and its personal handyphone system (PHS), launched with a Tokyo Electric Power subsidiary. By products, domestic long distance and public telephone line service sales grew 36 per cent to Y132.77bn, lease line service sales grew 5.4 per cent to Y11.29bn, and PHS sales were almost three times higher at Y5.78bn.

There was a steep drop in operating costs to Y33.15bn from Y51.14bn as a result of sharp cuts in retail, advertising, personnel and management costs, JT reported. However, the operating profit advanced only 0.1 per cent to Y16.29bn because of a Y62.71bn access charge paid to Nippon Telegraph & Telephone (NTT) to connect JT's lines to NTT's. Previously, the access charge had been added to customers' bills instead of being paid directly by Japan Telecom.

Japan Telecom also reported an Y5.47bn fee for listing on the Japanese equities market in September, affecting earnings growth at pre-tax and net profit levels.

For the full year to end-March 1995, Japan Telecom is forecasting recurring profits of Y17bn, against an earlier forecast of Y16.02 and last year's actual Y16.23bn, net profits of Y9.2bn (Y8.54bn, Y8.42bn) and sales of Y309bn (Y325.47bn, Y250.75bn).

In Tokyo yesterday, Japan Telecom's share price closed Y18,000 lower at Y965,000.

In August, Japan Telecom and Nissan Motor announced they would establish a joint venture company, called Digital Tu-Ka Chugoku, to provide a mobile phone business in western Japan.

Everbright buys stake in insurance

By Louise Lucas in Hong Kong

China Everbright group, a diversified mainland conglomerate with activities ranging from financial services to property development and trading, is to pay HK$555m (US$72m) for a 5 per cent stake in National Mutual Asia, the Hong Kong listed arm of the Australian insurance group.

The National Mutual Group will take an 8.7 per cent shareholding in China Everbright-IHD Pacific, which is controlled by the Hong Kong listed China Everbright International, for HK$168m.

The deal is designed to further National Mutual's plans to penetrate the mainland insurance market, which is gradually opening up to foreign groups. Securing a China partner will help National Mutual enter the market and develop business there.

Mr Wang Yake, the vice-chairman and chief executive officer of China Everbright-IHD, will join the board of National Mutual Asia. A formal deal is expected to be completed next month.

Correction

Ammeberg Mining

The price range for the offering of shares in Ammeberg Mining by its parent, Union Minière, is SKr112 to SKr130, not SKr103 to SKr112 as stated yesterday. This values Ammeberg at between SKr1.26bn and SKr1.46bn ($170m to $197m).

ITC plans move into food and power sectors

ITC, the Calcutta-based conglomerate which includes India's largest tobacco company, said it planned a diversification into the food and power sectors in order to grow faster and achieve group turnover of $6bn by the turn of the century, Reuter reports from Calcutta.

"Our strong finances and managerial strengths will help us in our diversifications and make us a growth-oriented and profit-driven company within the next few years," ITC's chairman, Mr Krishen Lal Chugh, said yesterday.

Today, the company is due to announce half-year results to the end of September. It reported sales of Rs23.88bn ($761m) and a net profit of Rs2.06bn for the year to last March. ITC has 60 per cent share India's cigarette market.

Optus threatens to drop plans for national cable-TV network

By Nikki Tait in Sydney

Optus Vision, the recently-formed joint venture involving Mr Kerry Packer's Nine Network, Continental Cablevision of the US and Australia's Optus Communications, yesterday threatened to drop its plans to build a national cable network for Australia after the federal government said it would allow duplicate cabling by rival provider Telstra.

Telstra, better known as Telecom in its home market, has recently linked with Mr Rupert Murdoch's News Corporation to develop a cable infrastructure, primarily for the provision of pay-TV. The Optus Vision network, by contrast, would be used for pay-TV and interactive services, but would also aim to carry local telephony facilities.

In a long-awaited statement yesterday, Mr Michael Lee, the federal communications minister, said that monopolies in cable infrastructure would not be allowed, and that the government would not act to stop duplication of cable networks being laid by the Optus Vision and Telecom/News Corporation consortia.

"I see no merit in either myself or any regulator drawing lines on maps to give carriers monopolies over this infrastructure," he said.

Optus Vision had proposed a mechanism by which the two network providers would not build rival cable networks in any area before one cable was built to all populated areas of Australia. After Mr Lee's statement, it noted that if it pulled out of the infrastructure race, Telecom's monopoly over local telephone services would be preserved. "The prospect of local phone calls becoming cheaper will effectively disappear," said Mr Bob Mansfield, chief executive of Optus.

However, Mr Lee said he had no intention of backing down. "If the price of Optus entering this market to compete is that they have to be given a monopoly over part of the country, then that's a price the government is not prepared to wear," he said.

Optus Vision said that, if the government stance did not change, it would seek to become a pay-TV service provider on the Telecom infrastructure "provided it obtains assurances from the government that the same carriage rates will be available to it as are available to the Telecom/News joint venture."

NEWS DIGEST

Hagemeyer to acquire 25% of Schweitzer

Hagemeyer, the Dutch-based trading group, is to acquire a 25 per cent stake in Schweitzer, the Austrian electrotechnical materials distributor, as a first step towards acquiring majority control later in the 1990s, writes Ronald van de Krol in Amsterdam.

The Austrian company, the largest of its kind in the eastern part of the country, has turnover equivalent to more than Fl 150m ($85m) and a workforce of 200. It is being sold by Bank Austria Handelsholding. Financial details were not disclosed.

Hagemeyer described the Schweitzer deal, which must still be approved by Austria's cartel authorities, as giving it an important gateway to markets in eastern Europe. In recent years Hagemeyer has made a series of electro-technical acquisitions in Germany, the UK and Ireland, taking its annual turnover in electro-technical distribution to about Fl 2.5bn.

Strong demand lifts Hydro-Quebec net

Hydro-Quebec, one of Canada's two biggest electric power utilities, posted nine-month net profits of C$405m (US$295m), up 4.9 per cent from a year earlier, with stronger domestic demand and a rate increase from May, writes Robert Gibbens in Montreal.

Revenue from power sales was C$5.4bn, up 4.7 per cent. Expenses rose 2.9 per cent mainly because of high depreciation, amortisation and taxes. Interest expense rose 8.6 per cent due to the lower Canadian dollar and heavy equipment commissionings.

Capital spending will be C$3.4bn for all 1994, against an earlier estimate of C$3.9bn.

In the first nine months new borrowing totalled C$2.9bn, completing the 1994 financing programme.

Indian cement producer improves at halfway

A revival in demand for cement, allied with firmer prices, helped ACC, India's biggest cement producer and part of India's Tata group, to post net profits of Rs851m ($27m) for the six months to end-September, up from Rs357m a year ago, writes Kunal Bose in Calcutta.

The company's income rose nearly 22 per cent to Rs9.3bn as cement sales rose to 4.8m tonnes from 4m tonnes.

Restructure of Cadillac Fairview proposed

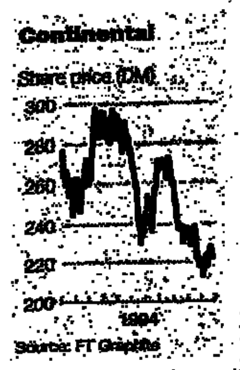
A group of creditors led by New York investment bank Goldman Sachs has proposed a financial restructuring of Cadillac Fairview, the troubled Canadian property group owning significant downtown office buildings and shopping centres and assets of about C$4.5bn (US$3.3bn), writes Robert Gibbens.

Cadillac said it welcomed the proposal but would not reveal details. It will be considered along with bids from other groups including Rouse of the US and the Reichmann family of Toronto.

Together the creditors hold about C$845m of Cadillac long-term debt, including C$220m acquired this summer by Goldman Sachs. Cadillac posted a 1993 loss of C$2.7bn, including heavy write-downs, and has been trying to restructure about C$3bn of debt, raise new equity and sell assets.

Cadillac was acquired from the Montreal Bronfman family in 1987 by a group of US pension funds.

Continental hit by 19% rise in rubbber price



Continental, the German tyre maker, yesterday said growing competition and a 19 per cent rise in the price of natural rubber meant that turnover rose only slightly in the first nine months, writes Michael Lindemann in Bonn. The group said its pre-tax earnings for 1994 were likely to be higher than the DM65.1m ($41.9m) reported last year, but would give no further details. Turnover in the period rose 2.6 per cent over the year-ago term. Including new acquisitions, among them Barum, the Czech producer, sales rose 7.1 per cent.

Sales of passenger and commercial tyres, which represent about 40 per cent of group turnover, rose 2.3 per cent to DM3.58bn. However, the company hopes to boost sales next year with a new range of summer and winter tyres made with silica, a compound which is said to reduce petrol consumption by about 5 per cent.

General Tire, the US subsidiary, is likely to report a loss for the full year because of continuing restructuring costs. ContiTech, the non-tyre division, saw sales rise 23.2 per cent following new acquisitions.

Management review under way at Statoil

Mr Harald Norvik, chief executive of Statoil, the Norwegian state oil company, has initiated a review of top management which could lead to sweeping changes among senior executives and a new organisational structure, writes Karen Fossli in Oslo.

A resource group comprising Ms Randi Grung Olsen, senior vice-president for personnel, Mr Peter Mellbye, president of the natural gas division, and Mr Henrik Carlsen, senior vice-president for Statfjord field operations, has been selected by Mr Norvik to assist in the structural review, which is to be completed in February.

The aim to reorganise the jobs of senior executives with operational responsibilities in Norway and to look at new opportunities for Statoil at home and abroad in all its business areas.

Dutch financial group climbs

By Ronald van de Krol in Amsterdam

ING Group, the Dutch financial services company, reported an 18.7 per cent rise in nine-month net profit to Fl 1.65bn ($943m) from Fl 1.39bn, as both banking and insurance operations recorded strong gains.

The nine-month performance, which exceeded analysts' expectations, prompted ING to forecast that net profit per share in 1994 will be higher than the Fl 8.04 posted in 1993. Previously, ING had predicted that per-share earnings would at least match those of last year.

In the third quarter alone, net profit rose by 18.4 per cent to Fl 580m from Fl 490m a year ago, the company said.

In insurance, pre-tax results for the first nine months rose by 26.0 per cent to Fl 1.25bn, with Dutch operations in particular contributing to the strength of the increase. Life insurance showed a 23.2 per cent increase, while non-life insurance jumped by 96.3 per cent, though this was due partly to the deconsolidation in April 1993 of Orion, ING's UK subsidiary.

ING noted that non-life results in the US fell into loss because of extreme weather in the early part of the year.

Pre-tax banking results were up 19.4 per cent at Fl 1.14bn for the first nine months, reflecting improved interest margins and expanded business volumes.

ING's banking arm was also helped by the recent recovery in the price of Latin American bonds. In the first six months, sharp price declines caused the group's results from financial transactions, securities and participations to fall into a loss of Fl 8m from a profit of Fl 566m.

However, at the nine-month stage, trading results were back in the black at Fl 404m, though still well below last year's Fl 777m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 25.11.94: Pool purchase price £/MWh	Final Prices for Trading on 23.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.25	10.04	10.04
0100	8.68	16.43	19.20
0130	8.66	40.34	43.12
0200	8.68	40.34	43.12
0230	9.27	19.26	22.04
0300	9.25	16.43	19.20
0330	9.21	16.43	19.20
0400	9.20	16.21	18.99
0430	9.13	16.21	18.99
0500	9.09	10.02	10.02
0530	9.09	16.68	19.46
0600	9.08	16.68	19.46
0630	9.25	18.83	21.61
0700	9.02	28.19	30.96
0730	29.43	28.89	31.67
0800	33.43	28.96	31.74
0830	35.75	29.70	32.48
0900	35.75	32.14	34.93
0930	46.11	42.66	45.39
1000	46.11	42.61	45.42
1030	46.11	42.60	45.41
1100	35.92	42.57	45.38
1130	35.75	38.58	41.38
1200	35.75	38.57	41.36
1230	35.75	38.55	41.34
1300	35.74	32.12	34.91
1330	30.82	32.11	34.89
1400	30.82	30.00	32.78
1430	30.07	30.00	32.78
1500	30.07	30.00	32.78
1530	30.07	30.00	32.78
1600	30.16	10.50	10.50
1630	39.78	43.62	46.48
1700	49.61	37.94	42.29
1730	62.78	57.39	62.42
1800	60.42	69.13	64.34
1830	44.65	55.35	59.74
1900	41.89	51.42	54.90
1930	38.82	45.06	48.05
2000	35.28	43.51	48.32
2030	31.74	33.34	36.12
2100	31.74	32.09	34.87
2130	29.35	28.96	31.74
2200	29.32	28.96	31.74
2230	8.94	22.33	25.11
2300	8.94	28.89	31.67
2330	9.27	28.19	30.96
2400	9.20	18.83	21.61

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. [illegible]

INTERNATIONAL CAPITAL MARKETS

Irish SFr150m issue enlivens a quiet day

By Graham Bowley

New issuance in the eurobond market virtually ground to a halt yesterday with the US closed for holidays.

Only the Swiss franc market saw any degree of activity with

INTERNATIONAL BONDS

two deals prompted by the rally in the Swiss government bond market this week.

"There is a flight of hot money out of equities and into bonds, which is boosting most bond markets, including the Swiss market," said one trader. "Lower Swiss short-term money rates are also forcing investors in Swiss francs farther out along the yield curve."

Ireland's National Treasury Management Agency launched a SFr150m issue of four-year bonds offering a coupon of 5.375 per cent.

Lead manager UBS said the bonds were placed with Swiss retail investors. Sources said a funding level of 10 basis points below Libor had been achieved.

Mr Adrian Kearns, head of foreign borrowing at the NTMA, said the offering was part of Ireland's borrowing programme for 1995, when it planned to raise about I£1.4bn to replace maturing debt. He said the proceeds from the offering were not swapped.

He added that Ireland was still considering coming to the euroyen market within the next few weeks with an offering of around Y30bn, "preferably in the 10-year area".

Postsparkasse, the Austrian state postal authority, launched a SFr250m issue of eight-year bonds offering a coupon of 5.625 per cent and fungible with a SFr200m issue launched in September.

In the Dutch guilder sector, BNG launched a Fl 500m offering of 10-year bonds priced to yield 31 basis points over Dutch government bonds. Joint lead manager Rabobank said the bonds were placed with domestic institutions. The proceeds from the offering were not swapped out of Dutch guilders, market sources said.

Dealers reported some buying of eurobonds in the dollar sector by investors keen to exploit the recent widening of spreads.

"They think that now is the time to buy while spreads are wide and before they close back in when the Treasury market falls again," said one dealer.

There are rumours that Spain is considering a euroyen offering around the 10-year area over the next week. Exim is rumoured to be coming to the eurodollar market with a long-dated offering.

Traders said that the EIB was also considering a eurodollar offering around the 10-year area, although EIB officials were unable to confirm this yesterday.

● IBCA, the European credit rating agency, is reviewing the AA credit status of Sweden.

"Sweden has a very high and rising debt to GDP ratio and it is important to assess the new government's plans to stabilise and reduce it," IBCA said yesterday.

Sweden's rating is also under review by Moody's, the US credit rating agency, from which it has an Aa2 rating.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
COFIRI Intl. (Cayman)(a)‡	100	(a)	100.0R	Dec.1999	0.20R	-	IBJ Asia
YEN							
MTBC Finance (Aruba)(b)*	25bn	5(b)	100.0	Mar.2005	(b)	-	Mitsubishi Tst. Intl.
GUILDERS							
Bank Nederlandse Gemeenten	500	7.75	99.975R	Dec.2004	0.325R	+31 (7¼%-04)	Rabobank
SWISS FRANCS							
Postsparkasse(c)	250	5.625	103.625	Nov.2002	-	-	UBS
Nat. Treas. Management Acy.	150	5.375	102.50	Jan.1999	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. §Convertible. ¶With equity warrants. ‡‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Dragon bond 6-month Libor + 42.5bp. b) Coupon pays 5.3% from 17.3.2000. Fees undisclosed. Short first coupon. Callable on 17.3.2000 at par. c) Short first coupon. Fungible with outstanding SFr200m issue, launched 26.9.94.

BIS survey finds sentiment switching to euronotes

By Conner Middelmann

Difficult conditions for borrowers in the international bond markets have benefited other sectors, such as euronotes and syndicated loans, where issuance has risen sharply this year.

According to the Bank of International Settlements' latest quarterly report on financial market trends*, the euronote sector, which includes short and medium-term notes, has seen record volumes of supply. In the first nine months of this year, net issuance under all types of facilities amounted to $111.3bn, compared with $47.9bn in the same period of 1993.

The bulk of euronote issuance has been through euro medium-term note programmes (EMTN). This enables borrowers to issue debt with varying maturities, currencies and volumes under the same master documentation, and makes them cheaper and more flexible than international or domestic straight bond issues, which require separate documentation for each deal.

The bulk of new euronote drawings was denominated in currencies other than US dollars, with borrowers taking advantage of the flexible structure of EMTN programmes to select the currencies offering the highest absorption capacity and best foreign exchange prospects, the report states. In particular, Japanese investors' preference for domestic currency assets prompted the issuance of a heavy volume of yen-denominated paper, which accounted for 38 per cent of total market expansion in the first half, according to the BIS.

Meanwhile, the syndicated credits sector, which is predominantly of a floating-rate nature, remained buoyant, with a total of $59.3bn of new facilities arranged during the third quarter, on top of $118.3bn in the first two quarters.

"The high volume of loanable funds stimulated competition to win business: the average maturity of loans was increased, spreads charged over inter-bank rates were reduced and covenant clauses were further relaxed," the BIS reports.

Moreover, institutional investors' reluctance to commit funds at fixed interest rates for long periods led an increasing number of lower-rated or lesser-known borrowers to turn to syndicated loan credits to take advantage of easing market conditions. This led some market participants and regulators to caution against the risk of a reversion to the low credit standards which prevailed in the late 1980s.

Loan facilities provided to US borrowers continued to reflect merger and acquisition activity there, while various "jumbo" loans were launched for financing or refinancing purposes. These include the Ecu6bn revolving facility arranged in September for Spain with a spread of only 4.5 basis points above the London inter-bank offered rate (Libor). Outside the OECD, Asian borrowers raised some $7.7bn through syndicated loans, while new facilities arranged for Latin American entities amounted to $1.8bn, according to the BIS.

*International Banking and Financial Market Developments, by the Bank for International Settlements, Basle.

Investors harbour concern over political moves

By Martin Brice

UK and Italian bond markets were overshadowed by political worries yesterday although they took their lead from Germany where prices rallied on the better tone for bonds after Wednesday's market shift in the US.

GOVERNMENT BONDS

Dealers and analysts believe investors will be waiting to see if US Treasuries continue to benefit from a switching out of equities today after yesterday's Thanksgiving holiday when the US market was closed. Volumes across Europe were light.

Mr Mark Cliffe, international economist at Midland Global Markets said: "There has been a lot of talk about the switch out of equities into bonds but not a lot of action. It is difficult to believe there will be a rally in the US bond market even if stocks fall. If the Fed is raising rates it is not the time to be rushing into US bonds."

■ German government bonds rose yesterday as investors moved to pull out of short positions.

The December bund futures contract on Liffe ended at 91.29, up 0.39 on the day.

Trading was quiet in the morning but lower-than-expected inflation news in the states of North-Rhine Westphalia and Baden-Württemberg led to buying. The Bundesbank council meeting left rates unchanged.

Mr Bob Tyley at Paribas Capital Markets said: "Nothing has happened in core European markets to create a change this week. But because of what has happened in the US, people have been covering themselves in case there is a change here. But a pull out of equities need not be positive for bunds, it might be for cash."

■ UK government bonds started the day by slipping, largely due to the fall in sterling due to political worries over talk of the Conservative government resigning if it was defeated over legislation on the UK contribution to the European Union budget.

However, gilts shrugged off those worries and perked up on the back of bunds, and by the end of the day the December long gilt future had moved up $\frac{3}{32}$ of a point to trade around $103\frac{6}{16}$. The yield spread over bunds had moved out from 123 to around 128.

Mr Mark Reckless, UK economist at S. G. Warburg, said: "We are getting used to these crises. They come and go."

Mr Cliffe at Midland said: "Considering the pre-occupation that political problems are in other European markets it is remarkable how sanguine people are in the UK. They are working on the assumption that the threat from the government will work, but the implications of the bill not passing are rather disturbing. One wonders if the market will pay this more attention later."

■ The yield on Italian government bonds fell yesterday as bond prices followed the positive tone on bunds. The yield on 10-year Italian government bonds fell 7 basis points to 12.07 per cent.

However, Mr Pio de Gregoria at NatWest Markets said: "Until the political situation is clear and the budget is passed there is very little scope for the bond market to recover. There is enormous uncertainty and if the political crisis becomes even worse than it is now then it could hamper the pace of the recovery because confidence could be damaged."

Tisa loan in general syndication

A $1.1bn syndicated loan for Spain's Telefónica Internacional (Tisa), a subsidiary of Telefónica de España, has been launched into general syndication, Reuter reports.

The seven-year loan, which carries a spread of 27.5 basis points over London inter-bank offered rate (Libor), is a refinancing of a $1bn seven-month bridging facility signed in May to buy two Peruvian telecommunications companies.

Arrangers of the syndicated loan are ABN-Amro Bank and Banco de Negocios Argentaria, together with underwriters Bank of Tokyo, Fuji Bank, Banque Nationale de Paris and Bank of America.

● An $850m revolving credit for Saga Petroleum, the Norwegian energy group, has also been launched into general syndication, writes Martin Brice. Arrangers are ABN Amro, Deutsche and Barclays, with co-arrangers Christiania Bank and Den norske Bank.

The seven-year loan is priced at 30 basis points over Libor for years one to five and 35 over for years six and seven, with undrawn facilities at 15 basis points for years one to five and 17¼ for years six and seven.

● Underwriting for the Kingdom of Sweden's $5bn syndicated loan should be complete by the middle of next week, said Ms Christine Holm of the Swedish National Debt Office.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.4400	+0.170	10.41	10.69	10.45
Belgium		7.750	10/04	96.6700	+0.140	8.25	8.37	8.51
Canada *		6.500	06/04	83.9000	+0.150	9.06	9.21	9.11
Denmark		7.000	12/04	89.3700	+0.070	8.62	8.86	9.00
France	BTAN	8.000	05/98	102.0000	+0.130	7.31	7.47	7.60
	OAT	6.750	10/04	91.9700	+0.260	7.95	8.21	8.32
Germany Bund		7.500	11/04	101.3100	+0.410	7.31	7.54	7.63
Italy		8.500	08/04	81.6200	+0.360	11.72†	11.79	11.56
Japan	No 119	4.800	06/99	103.5130	+0.490	3.90	4.07	4.14
Japan	No 164	4.100	12/03	96.7060	+0.340	4.62	4.75	4.77
Netherlands		7.250	10/04	98.8500	+0.390	7.41	7.61	7.61
Spain		8.000	05/04	82.4100	+0.060	11.07	11.21	11.19
UK Gilts		6.000	08/99	91-10	-	8.25	8.43	8.69
		6.750	11/04	88-29	+3/32	8.41	8.59	8.77
		9.000	10/08	104-24	+5/32	8.41	8.60	8.72
US Treasury *		7.875	11/04	-	-	-	8.03	7.87
		7.500	11/24	-	-	-	8.14	8.05
ECU (French Govt)		6.000	04/04	84.9500	+0.270	8.37	8.58	8.70

London closing, *U.S. Market Holiday. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm (Nov 23) — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.51	Two year	7.18
Broker loan rate	6½	Two month	5.53	Three year	7.42
Fed.funds	6¾	Three month	5.44	Five year	7.64
Fed.funds at intervention	5½	Six month	5.99	10-year	7.81
		One year	6.58	30-year	7.95

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.12	112.44	+0.28	112.58	111.92	157,662	130,335
Mar	111.34	111.62	+0.28	111.70	111.12	8,214	32,755
Jun	110.46	110.72	+0.26	110.80	110.44	210	3,154

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
110	2.44	2.45	-	-	0.84	-
111	1.44	1.82	1.94	-	1.17	2.18
112	0.44	1.30	-	-	1.65	-
113	-	0.83	-	0.56	-	-
114	-	0.50	-	-	-	-

Est. vol. total, Calls 27,304 Puts 26,071. Previous day's open int., Calls 318,684 Puts 283,102.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.90	91.29	+0.39	91.41	90.82	98424	148846
Mar	90.12	90.48	+0.35	90.62	90.03	12415	59141
Jun	89.20	89.73	+0.53	89.50	89.20	2	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9000	0.94	1.26	1.45	1.46	0.46	0.78	0.97	1.73
9050	0.66	0.98	1.17	1.21	0.68	1.00	1.19	1.98
9100	0.43	0.75	0.93	1.00	0.95	1.27	1.45	2.27

Est. vol. total, Calls 19322 Puts 8248. Previous day's open int., Calls 120881 Puts 70911

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.45	100.98	+0.54	101.20	100.43	28999	43858
Mar	99.35	99.88	+0.58	99.92	99.35	1884	14621
Jun		98.88	+0.58			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	2.25	1.35	1.87	1.97
10000	2.00	1.15	2.12	2.27
10050	1.77	0.97	2.39	2.59

Est. vol. total, Calls 3079 Puts 1625. Previous day's open int., Calls 6389 Puts 6273

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.85	87.90	+0.03	88.05	87.73	36,262	80,432
Mar	87.10	87.28	-0.07	87.20	87.01	566	7,176

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103-04	103-09	0-02	103-14	102-28	28486	88553
Mar	102-15	102-18	0-01	102-23	102-08	4129	30779
Jun		101-18	-			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
102	2-05	2-21	1-33	2-49
103	1-34	1-58	1-62	3-22
104	1-06	1-34	2-34	3-62

Est. vol. total, Calls 652 Puts 3365. Previous day's open int., Calls 9833 Puts 6229

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	81.70	82.02	+0.26	82.10	81.62	3,902	8,042

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97-09	98-25	+1-20	99-01	97-09	194,463	372,281
Mar	97-00	98-05	+1-20	98-12	97-00	15,021	71,287
Jun	97-00	97-20	+1-20	97-27	96-28	1,171	12,479

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.83			108.85	108.72	335	0
Mar	108.15			108.17	108.04	1621	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Nov 24	Day's change %	Wed Nov 23	Accrued interest	xd adj. ytd		Low coupon yield Nov 24	Low Nov 23	Low Yr. ago	Medium coupon yield Nov 24	Medium Nov 23	Medium Yr. ago	High coupon yield Nov 24	High Nov 23	High Yr. ago
1 Up to 5 years (23)	120.61	+0.01	120.59	2.09	9.83	5 yrs	8.32	8.32	6.03	8.38	8.38	6.26	8.51	8.50	6.40
2 5-15 years (23)	141.38	+0.08	141.26	2.05	11.49	15 yrs	8.32	8.33	6.90	8.43	8.44	7.01	8.67	8.69	7.20
3 Over 15 years (8)	158.93	+0.10	158.77	2.94	10.87	20 yrs	8.29	8.30	7.01	8.43	8.44	7.06	8.59	8.59	7.21
4 Irredeemables (6)	179.79	+0.08	179.64	0.98	13.47	Irred.†	8.37	8.37	7.12						
5 All stocks (60)	138.46	+0.06	138.38	2.22	10.93										

Index-linked							Inflation 5% Nov 24	Nov 23	Yr. ago	Inflation 10% Nov 24	Nov 23	Yr. ago
6 Up to 5 years (2)	187.10	+0.05	187.01	0.73	5.07	Up to 5 yrs	3.82	3.83	2.16	2.59	2.59	1.30
7 Over 5 years (11)	174.57	+0.03	174.51	1.18	4.36	Over 5 yrs	3.83	3.83	3.13	3.64	3.63	2.95
8 All stocks (13)	174.99	+0.03	174.93	1.14	4.41							

Debentures and Loans						5 year yield Nov 24	Nov 23	Yr. ago	15 year yield Nov 24	Nov 23	Yr. ago	25 year yield Nov 24	Nov 23	Yr. ago
9 Debs & Loans (77)	129.34	+0.07	129.25	2.10	10.27	9.45	9.47	7.58	9.42	9.44	7.99	9.39	9.40	8.15

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 18	Yr ago	High*	Low*
Govt. Secs. (UK)	92.33	92.37	91.86	91.74	91.59	103.64	107.04	89.54
Fixed Interest	108.95	108.68	108.33	108.15	108.15	124.06	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 23	Nov 22	Nov 21	Nov 18	Nov 17
Gilt Edged bargains	140.4	128.5	152.9	145.0	174.4
5-day average	147.8	141.0	134.4	118.9	106.0

UK GILTS PRICES

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds

FT/ISMA INTERNATIONAL BOND SERVICE

Used are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅜	88⅝	+⅛	8.47
Alberta Province 7⅝ 98	1000	98¾	99⅛		8.00
Austria 8½ 00	400	101⅞	102⅛	+⅛	8.03
United Kingdom 7¼ 97	5500	101⅛	101⅜		6.66
Volkswagen Intl Fin 7 03	1000	94⅞	95¼	+⅝	7.84
World Bank 0 15	2000	20⅞	21⅝	+⅛	7.72
World Bank 5⅞ 03	3000	89⅛	89¼	+¼	7.59
Abbey Natl Treasury 8 03 £	1000	92¾	93⅛		9.27
Alliance Leics 11⅜ 97 £	100	108¼	108¾		8.40
British Land 8⅞ 23 £	150	89½	90	-⅛	10.24
Denmark 8¾ 98 £	800	94¼	94½		8.59

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month) above mean rate for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Extra space boosts Storehouse

By David Blackwell

An increase in selling space helped Storehouse, owner of the BHS and Mothercare retail chains, to lift interim sales by 7 per cent and operating profits from retailing by a third. The dividend is raised for the first time in seven years.

Mr Keith Edelman, chief executive, said the group had added 80,000 sq ft to its BHS sales space in the half, equivalent to adding three stores. The group was aiming to add at least 20 new BHS stores to the present 125 in the next three years, including nine this financial year.

While the spread is national, the group feels there is potential for at least 200.

Sales for the 28 weeks to October 15 grew from £484.9m to £519.2m. Like-for-like sales were up 5 per cent.

At the pre-tax level, profits doubled to £24.2m, against £11.6m struck after an exceptional charge of £6.4m. Operating profits from retailing rose from £17.1m to £22.8m. Earnings per share increased from 1.4p to 3.9p, and the interim dividend is 2.7p (2.5p).

The shares closed yesterday down 5p at 214p.

Ashley Ashwood

Dick Steele, left, with Keith Edelman in the Oxford Street store: an extra 80,000 sq ft of sales space was added to BHS in the half

The group is cash positive, with £29.5m. Mr Dick Steele, who joined as finance director from Lloyds Chemists early this year, said it was the first time the group had not had net borrowings in the run up to Christmas.

Total costs rose by 5 per cent. "We could have held the increase below 5 per cent, but we are in an investing phase," said Mr Steele.

The group has reduced the number of its suppliers from 1,000 in 1989 to 300.

At BHS, which has benefited from a TV advertising campaign, operating profits rose from £15.4m to £18.8m and sales from £337.2m to £356.9m. BHS retail margins improved from 4.6 per cent to 5.3 per cent.

The Mothercare stores, which are rapidly being converted to a new format, doubled operating profits from £2.1m to £4.2m on sales ahead from £140.9m to £155m. Margins improved from 1.5 per cent to 2.7 per cent.

The loss at Blazer was halved from £400,000 to £200,000 on the back of a sales increase from £17.1m to £22.8m.

● COMMENT

The fall in the share price probably reflects disappointment that the results were a little below the market's best hopes. Nevertheless, these are encouraging figures, showing that the recent good housekeeping is starting to pay off. Both BHS and Mothercare have a lot of catching up to do in the retail sector, but the returns are improving and the balance sheet is good. Better buying and better stock management are being coupled with rebuilding the strong Mothercare brand and sorting out a firm identity for the BHS brand as a value-driven family clothing chain. Pencilled in profits of £105m for 1995-96 put the group on a prospective multiple of 12.5 – not that demanding for a retailer with the rare combination of both growth and recovery prospects.

Scottish Widows acts to cut costs

By Alison Smith

Scottish Widows, a life insurer which sells largely through independent advisers, yesterday became the latest company in the sector to move to cut costs, announcing the closure of 12 branch processing offices and the loss of 143 jobs.

At the same time, it took a further step in changing its product range, launching a new set of life insurance policies with a choice of how commission is paid to the adviser. More changes to its pension plans are expected early next month.

All life companies are facing increased pressure to reduce costs before next year, when new regulations will force them to give customers more information about charges and commission.

Widows' job losses mean that the clerical staff supporting its service to independent advisers will be almost halved. It cannot rule out compulsory redundancies, but hopes the target number can be met through voluntary arrangements. The sales force will remain broadly the same size.

The company says that operating from six regional processing centres outside Edinburgh will enable it to offer advisers a more efficient and reliable service.

8.3% dividend increase from South West Water

By Peggy Hollinger

South West Water yesterday announced a better-than-expected dividend increase, despite reporting flat pre-tax profits for the first half.

The 8.3 per cent increase in the dividend from 8.4p to 9.1p compares with expectations of about 6 per cent. This helped the shares resist the worst of a 2 per cent decline in the sector, fuelled by fears of a general election. South West fell by just over 1 per cent, from 486p to 481p. ed

South West announced pre-tax profits of £50.6m for the six months to September 30, against £50.3m last time.

Sales were 14 per cent ahead at £143m, while earnings per share fell by 0.5 per cent to 38.2p.

The pre-tax figure was depressed by a £3.5m rationalisation charge and a £7.8m increase in interest payments to £12.6m.

The return was also hit by charges of £300,000 to cover the costs of South West's appeal to the Monopolies and Mergers Commission over the price limits set by the industry regulator for the five years between 1995 and 2000.

Mr Ken Hill, finance director, would not specify how much the appeal was likely to cost South West, but said a further charge was expected in the second half. A decision on the appeal is expected in March.

The regulated business returned pre-tax profits 4 per cent lower at £49m because of the rationalisation costs. About 140 jobs had been cut, leaving 2,100 employees in the utility operation. Mr Hill said that, excluding the additional treatment works, costs had been held at levels similar to last year's.

South West's non-core division, which includes waste haulage, construction and environmental businesses, returned pre-tax profits of £1.6m, against a loss of £700,000 last time.

● COMMENT

South West has come out with the lowest dividend increase so far in the sector's reporting season and, given the uncertainties it faces, this is no great surprise. The MMC appeal is expected to cast a shadow over the shares for another six months. The company also faces flat to minimal earnings growth over the next few years. So, to provide meaningful dividend growth, its cover will have to be eroded more quickly than that of its peers. This would not be a problem, except that its peers will be increasing their earnings while trimming dividend cover. Forecasts are for about £96m this year. In the shorter term, the stock will be buoyed by its substantial yield of more than 7 per cent. However, there may be others where yields are almost as attractive but prospects for growth are better.

Macdonald Martin up 22% to £2.63m as output rises

By Roderick Oram, Consumer Industries Editor

Higher distillery output and bulk whisky sales helped Macdonald Martin Distilleries achieve a 22 per cent increase in pre-tax profits from £2.16m to £2.63m in the six months to September 30.

Turnover was up 25 per cent at £16.4m (£13.1m).

Sales of Glenmorangie, the company's leading malt, rose 15 per cent in volume terms and 19 per cent in value because of strong overseas demand, particularly in the US and France. Shipments in the UK were flat, but retail sales increased.

In blended whisky, sales were up 7 per cent in volume, but down 7 per cent in value terms. Bulk sales of blended whisky increased, but bottled sales were down 10 per cent overall.

The downturn was marked in the UK, where volume sales of bottled blends fell by 25 per cent. The group lost a large own-label order from a supermarket chain after it declined to lower its price.

Distillery production doubled in the first half, mainly to increase the group's stocks. Mr James Fyfe, deputy managing director, estimated that capacity utilisation would average 69 per cent this year, against 43 per cent previously.

Sales of Crabbie's Green Ginger Wine, acquired a year ago, were in line with forecasts and its market share had increased, but the profit contribution "was modest."

The exceptional item of £440,000 included just over £300,000 in compensation to Mr Neil McKerrow who resigned as managing director in June. The balance was start up costs of an Indian joint venture, which will begin bottling Highland Queen next month.

The board declared a 10 per cent rise in the interim dividend to 2.5p (2.266p) on the A shares and to 1.25p (1.133p) on the B shares. Earnings per share were 12.73p (10.46p) and 6.36p (5.23p) on the respective classes.

Business Post rises sharply to £3.8m

By Simon Davies

Shares in Business Post, the express parcel delivery company, rose 15p to 154p yesterday, after it revealed that the recent expansion of its network of hubs helped achieve 24 per cent sales growth and improved profit margins.

Pre-tax profits rose 74 per cent to £3.81m (£2.19m) in the six months to September 30, well ahead of analysts' expectations, and the company said the momentum was continuing. October sales rose 26 per cent.

The group sustained average price rises of 1.6 per cent in April, despite what remains an extremely competitive market, given the existence of about 20 competitors with national networks.

In addition, it was now reaping the benefits of increased capacity and a more efficient network, following investment in the expansion of several regional "hubs".

Turnover rose from £19.1m to £23.6m and operating profit margins increased from 11.7 per cent to 15.6 per cent. This partly reflected the high level of fixed costs within the business.

The trend should be more pronounced in the second half, as the business has a seasonal bias because of the summer lull. Last year, 55 per cent of Business Post's revenue came in the second half.

In addition, UK Mail, its door-to-door mail delivery service was suspended in March, after contributing losses in the second half of 1993/1994.

Capital expenditure peaked in 1993, falling from £2.34m to £1.73m at the interim stage. It is likely to stay at about that level in the second half.

It is increasing the dividend by 58 per cent to 1.9p (1.2p), roughly in line with earnings per share, which rose 55 per cent to 5.1p (3.3p).

Fenchurch advances to £7.79m

By Geoff Dyer

Fenchurch, the insurance broker which gained a stock market listing in November last year, reported pre-tax up from £4.56m to £7.79m in the year to September 30.

The result was helped by lower interest charges of £284,000 (£1.59m) and £58,000 profits (£875,000 losses) from discontinued activities.

Pro forma pre-tax profits on continuing operations, assuming the flotation took place at the beginning of the financial year, showed a 15 per cent increase to £7.93m (£6.9m).

Earnings per share were 15p (10.6p) with the pro forma figure rising 16 per cent to 14.1p (12.2p). The proposed final dividend of 5.4p makes 8p for the full year.

Mr Roger Earl, chief executive, said: "We want to continue this good and consistent growth." Market conditions were difficult, however, and would continue to be tough during the next year.

Turnover rose to £32.3m (£31.2m) with £679,000 (£3.1m) from discontinued activities. UK retail turnover increased 5.5 per cent to £12.6m (£11.9m), including a 25 per cent increase from the Protection House Insurance Services division, despite competition from direct line insurers.

Since August Fenchurch has acquired a specialist insurer, a financial consultancy and a minority stake in a provider of health risk management services. The reinsurance business continued to grow, with turnover up from £923,000 to £2m.

Bakyrchik faces delay at gold mine

By Kenneth Gooding, Mining Correspondent

Bakyrchik Gold, floated in London last year to invest in a mine in Kazakhstan, yesterday reported a two-month delay in commissioning its stage 1 sulphide ore processing plant. This would hold back the forecast initial annual rate of output – 30,000 troy ounces of gold – until January or February next year, said Mr Kevin Foo, managing director.

In the meantime, however, following the recent placing and open offer which raised £25.1m, operation of the Bakyrchik gold mine, on Kazakhstan's north eastern steppes, was being transferred to the Bakyrchik joint venture in which the London-quoted company has 40 per cent.

The delay in commissioning the process plant was caused by the failure of the associate oxygen plant and an imposed closure by the Kazakh authorities, who insisted on compliance with practices followed within the former Soviet Union. The Redox sulphide plant itself operated effectively when it had been run at design temperature and pressure. Recovery rates of 90 per cent of the gold were achieved.

In line with expectations, Bakyrchik reported a pre-tax loss of $726,000 (£442,682) for the half-year to September 30, compared with a $67,000 deficit previously.

Barr rebels likely to claim first blood in family feud

By Richard Wolffe

The rebel shareholders of Barr & Wallace Arnold Trust were ready to claim first blood today in the family feud over the future of the motor and leisure group.

Mr Malcolm Barr, chairman, seemed likely to lose the vote on the board's proposals to reform the two-tier share structure at its EGM in Leeds.

The company is understood to have received proxy votes representing more than 50 per cent of ordinary voting shares from the rebels, led by Mr Barr's nephews, Nicholas and Robert Barr.

They have pledged to vote down the board's plans to enfranchise the non-voting A shares, owned almost entirely by institutional shareholders.

The Barr brothers have called on their uncle to step down as chairman, as part of their strategy to run the group's two divisions as stand-alone businesses.

They have also requisitioned their own EGM next week to unseat Mr Brian Parker, the chief executive and Mr Brian Small, the finance director.

Negotiations between the warring parties failed to arrive at a compromise yesterday, despite an earlier offer from Malcolm Barr to resign as chairman. The brothers yesterday announced they had changed the trustees holding their own shares, after discovering that their previous trustee also held shares for Mr Parker and Mr Small.

Nicholas and Robert Barr, who are the sons of the late managing director Stuart Barr, speak for almost 30 per cent of ordinary shares. Malcolm Barr, who is also the outgoing chairman of Leeds Permanent Building Society, owns 16 per cent of the ordinary shares.

Quadramatic maintains its programme with Kestrel deal

By Peter Pearse

Quadramatic, the coin-handling and optical group which came to market in July 1993, has continued its promised programme of acquisitions with the purchase of Kestrel Injection Moulders, a maker of precision plastic injection mouldings, for up to £6.65m.

At the time of the flotation, Mr Tony Gartland, chairman, said he wanted to build a specialist engineering group by acquisition.

The initial net cash consideration for Kestrel is £4.4m, after the £1m sale and leaseback of a Kestrel freehold property to certain of its vendors. An additional deferred amount of up to £2.25m, in cash or shares, is profits-related.

Plymouth-based Kestrel made pre-tax profits of £855,000 on £4.19m turnover in the year ended May 31. In the six months to March, Quadramatic made pre-tax profits of £3.72m on turnover of £17.6m. Quadramatic's flotation was followed in November 1993 by the £11.25m acquisition of Quota, a private holding company for two high-tech businesses.

Mr Glenn Powers, finance director, said originally the group wanted four divisions – hence its name – but that now the building of an equally weighted three was going well. Coin handling remained the biggest, followed by instruments and then plastic moulding.

The group would think about a fourth when the market capitalisation approached the £150m mark. The shares rose 3p yesterday to 168p for a valuation of about £66.5m.

Porton shareholders say yes to £65.5m French bid

By Paul Taylor

Porton International's institutional shareholders yesterday backed a £65.5m recommended bid for the UK biotechnology company from Beaufour Ipsen, the family-owned French pharmaceuticals group.

Shareholders controlling 88.9 per cent of Porton's shares, which are traded under the Stock Exchange's Rule 4.2, agreed to accept the French bid worth £13.40 in cash or notes by the 3pm deadline yesterday.

Under a separate deal Speywood, a company set up by Beaufour and Porton's management to make the acquisition, has also agreed to acquire an additional 5.7 per cent stake in Porton.

These shares, together with the valid acceptances of the offer, lifted the total number of Porton shares being acquired to 6.69m or 94.6 per cent of the outstanding capital, comfortably above the 90 per cent target. As a result, the offer has become unconditional and will remain open for further acceptances.

The French group, advised by Lazard Brothers, held irrevocable undertakings covering 66.2 per cent of the equity, including a 36.6 per cent stake held by Mr Wensley Haydon-Baillie, Porton's founder and ex-chairman ahead of the deadline.

Victory had looked increasingly certain after institutional investors, disappointed by Porton's financial performance, backed the bid which was recommended by Kleinwort Benson, Porton's financial advisers. Meanwhile a potential rival offer for Porton from Scotgen Pharmaceuticals, the Anglo-US drugs company, failed to materialise.

The acquisition has been structured as a leveraged buy-out with Porton's management taking an initial 22 per cent stake in Speywood on completion. Subject to the company's performance, this management stake could could rise as high as 35 per cent.

ML lifted 13% to £2.33m

ML Holdings, which designs and manufactures electrical systems for the aerospace and defence industries, had pre-tax profits of £2.33m for the half year to September 30, 13 per cent ahead of £2.06m last time. Turnover was 7 per cent ahead at £46.3m, compared with £43.1m.

Earnings per share rose to 1.2p (1.1p) and an interim dividend of 0.3p (nil) is declared.

Mr Howard Grant, chief executive, said German subsidiary Schopf Maschinenbau's operating loss had "masked the good progress" of the group as a whole. The outlook continued to improve and this would be reflected in the full-year results.

Kiln Capital raises £25m in placing

By Ralph Atkins, Insurance Correspondent

Kiln Capital, a planned new listed company investing in Lloyd's of London, has raised £25m via a share placing.

Kiln plans to invest exclusively in insurance syndicates managed by the RJ Kiln managing agency, unlike many other Lloyd's investment companies which have spread funds across a range of syndicates. Dealings are expected to start on December 1.

The company has also made an offer to some Names to subscribe for up to 2m ordinary shares at 100p each.

Plans for corporate investment in Lloyd's have been affected this year by the lack-lustre performance of existing corporate vehicles and bad publicity surrounding the insurance market.

Linden in £16m reverse takeover of Edmond

Linden, an unquoted housebuilder which operates in Surrey, Sussex and Cheshire is acquiring Edmond Holdings, the housebuilder, in a reverse takeover worth £16.1m.

Edmond, which operates in east Midlands, East Anglia, Yorkshire and Humberside, is issuing 78.8m ordinary shares, representing 60.7 per cent of its enlarged share capital.

Mr Andrew Sells, Linden's chairman, will become non-executive chairman of Edmond and Mr Philip Davies, Linden's chief executive, will become chief executive of Edmond.

Dealings in Edmond have been suspended and as Linden does not have a three-year trading record, application will be made for Edmond's admission to the USM.

City of London PR rises 22% to £394,000 at interim stage

City of London PR Group, the USM-traded specialist investor relations and market research company, yesterday announced a 22 per cent rise in interim pre-tax profits and said the second half should "at least match" the £394,000 just announced.

On sales of £1.36m (£1.29m) in the six months to September 30, operating profit was 39 per cent up at £172,000 (£124,000), despite some softness in the market research business. Profit on disposal of investments came to £50,000 (£23,000).

The interim is increased to 1.4p (1.27p) on earnings per share of 3.71p (3.17p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Domecq	int	7.75†	Feb 24	7.3	-	22.2
Atreus	int	nil	-	0.264	-	0.75
Business Post	int	1.9	Jan 23	1.2	-	3.7
Caledonia Invs	int	5.7	Jan 19	5.4	-	16.2
Ch'b'lain Phipps	int	2.7	Feb 2	-	-	-
City London PR§	int	1.4	Jan 16	1.27	-	4
Concentric	fin	4.29	Jan 19	4.09	6.15	5.86
CPL Aromas	int	1.2	Jan 10	-	-	-
Dart	int	1.5	Jan 13	1.3	-	3.7
Fenchurch	fin	5.4	Mar 10	-	8	-
Fleming High Inc	int	1.1♥	Jan 3	1.1	-	4.4
Forward Group §	int	2.5	Jan 9	2	-	5
IWP	int	3.6‡	Jan 20	3.25	-	8
Johnson Matthey	int	4.2	Feb 6	3.4	-	11.4
M'donald Mart A	int	2.5	Jan 13	2.266	-	9.68
M'donald Mart B	int	1.25	Jan 13	1.133	-	4.84
ML Holdings	int	0.3†	Apr 7	-	-	0.85
Osborne & Little	int	3.5	Jan 25	2.5	-	6.5
RPC	int	1.1	Jan 13	1	-	3.2
Scottish Inv Tst	fin	3.39	Feb 10	3.2	5.15	4.9
South West Water	int	9.1	Apr 6	8.4	-	25.5
Storehouse	int	2.7	Feb 9	2.5	-	5.5
Tomkinsons	fin	8	Mar 2	8	11.5	11.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence. ♥Second interim, making 2.2p so far.

COMPANY NEWS: UK AND IRELAND

Strong performance expected to continue in second half

JM upbeat after jump to £45m

By Kenneth Gooding, Mining Correspondent

Johnson Matthey, the precious metals technology group, yesterday reported a record first-half performance and said there was every chance that this would continue in the second half.

Pre-tax profits increased 28 per cent from £35.2m to £45.2m, well ahead of analysts' forecasts. However, the share price fell by 7p to 550p because of market concerns about JM's intentions following its recently aborted merger talks with Cookson, the specialist industrial materials group.

Mr David Davies, JM chairman, described the negotiations as "a worthwhile exercise", but "we were two successful companies looking into the future, so it was not surprising we had differing views about what our values are."

JM was now seeking selective acquisitions and looking at eight or nine potential purchases in the electronics field, mainly in North America. The first should be completed before the end of 1994.

Mr Davies said that JM's determination to reduce costs was bearing fruit.

Trevor Humphries

David Davies: potential purchases in the electronics field

Net revenues from continuing operations in the six months to September 30 rose by 12 per cent to £201.5m.

To underline its confidence JM is lifting the interim dividend by 24 per cent to 4.2p (3.4p) on earnings per share of 16p (14.6p).

On a divisional basis, operating profit rose 36 per cent to £18.3m in materials technology: catalytic systems increased 20 per cent to £15.9m; precious metals' input was up by 7 per cent to 10.8m; and profit in colour and print (now merged into Cookson Matthey Ceramics) advanced by 25 per cent to £6.4m.

● COMMENT

It must have been frustrating for Mr Davies to have reported record interim results, promised a similar performance in the second half and then seen Johnson Matthey's share price fall. But he must take some of the blame. First came his comments in his annual statement last year about wanting JM to become a FT-SE 100 stock and then there were the recent Cookson capers. So the market is understandably nervous about the possibility of a big acquisition that would require a substantial issue of new equity. Mr Davies was telling analysts yesterday that there would not be a hostile bid from either side while the present JM and Cookson management teams were in place. He indicated that JM would return to its old style – getting bigger via friendly acquisitions and organic growth. But it will take time for the market to regain confidence. That aside, there is no doubting JM's potential. The group will probably earn at least £90m before tax for the full year and last night's share price represented 16 times earnings.

Strength in Netherlands helps IWP to I£7.6m

By John Murray Brown in Dublin

IWP International, the Irish household and personal care products and packaging group, reported a 69 per cent increase in pre-tax profits from I£4.52m to I£7.64m (£7.54m) for the half year to September 30. Levendaal, the Netherlands-based toiletries group, acquired in October 1993, made a significant contribution.

Mr Joe Moran, chief executive, said: "The performance was better than we expected." He pointed to the 20 per cent rise in earnings per share to 14.53p (12.11p).

Turnover grew 49 per cent to I£72m (I£48.3m), with the Netherlands accounting for 43 per cent. UK sales fell in the period, while Irish turnover rose slightly.

The group, which is listed in Dublin and London, has about 20 diversified subsidiaries in the UK, Ireland and the Netherlands.

Levendaal's performance more than made up for a static UK market. IWP paid I£51m for Levendaal. As a result gearing had risen to 76 per cent at the end of the period.

IWP also announced that it was "within two weeks" of finalising a management buy-out of Questel, its UK-based loss-making television company.

IWP is reviewing marketing strategy to target European countries, particularly Germany and Scandinavia. It is appointing Mr Neil Popham, formerly with BP's nutrition subsidiary, as director in charge of household products and personal care.

The interim dividend is raised to 3.6p (3.25p).

Caledonia Investments declines to £22.7m

By David Wighton

Caledonia Investments, the holding company controlled by the Cayzer family, saw pre-tax profits fall from £25m to £22.7m in the six months to September 30 and warned that it would be "challenging" to improve on last year's record £45.2m annual profits.

The shares fell 25p to 660p, compared with net assets of 645p, down from 681p at the start of the year.

Operating profits, which exclude disposal gains, edged up to £23m (£22m) helped by a strong improvement at Exco, the recently floated money broker where Caledonia retains a 27 per cent stake.

But Exco has warned of subdued trading in the third quarter, while Bristow Helicopters, Caledonia's other large associate, is suffering from increased competition and reduced activity in the North Sea.

In addition, Caledonia has made two significant investments recently which will not contribute to its results until next year.

It has spent $44m (£26.8m) on a one-third interest in Sun International Investments, which owns the Paradise Island resort in the Bahamas; and it has paid £20m for a 29.9 per cent holding in Ivory & Sime, the Edinburgh-based fund management group.

After a higher tax charge, earnings per share dropped to 16p (18.9p), but the interim dividend is raised by 0.3p to 5.7p.

Of the 36p drop in assets per share over the first half, 20p represents the write-off of goodwill on the Ivory & Sime acquisition. Caledonia has written off a total of 60p a share of purchased goodwill. "By any objective yardstick it is hard to regard this write-off as necessary," the company said. Assets per share have also been affected in the period by the fall in value of Caledonia's stakes in The Telegraph and Close Brothers.

Trading profits rose to £2.8m (£2.3m) reflecting progress at Amber, Abacus and, particularly, Clan Asset Management.

Continuing problems at ASME hit Billam shares

By Nigel Clark

Continuing problems at its Aircraft and Sheet Metal Engineers subsidiary are expected to lead to J Billam, the precision engineering company, reporting a loss for the calendar year.

The shares fell 19p to 123p yesterday. After the company warned of a downturn at ASME 12 months ago the shares fell 50p to 219p and they ended 10p down at 134p in September after reorganisation costs at the offshoot contributed to lower interim pre-tax profits.

The Sheffield-based company also announced that it had appointed Mr Barry Truman, as group chief executive, to help sort out ASME and then return Billam to growth. Mr Truman, has been a non-executive director for almost five years and has served in senior management positions within the industry.

Mr Stephen Ingram, chairman, said the problems at ASME were irritating and frustrating. "We have not lost any customers, but the disruption caused by the restructuring and the state of the aerospace market have left the company in losses.

"We are paying the short-term price for longer term benefits."

He added that the restructuring was almost complete and 1995 should see a return to profits.

Billam's other activities were performing satisfactorily, but were not making enough to cover the ASME losses. However, the company expects to be able to hold the final dividend at 3.1p for an unchanged total of 5.3p.

Kleeneze warns of only small profit

Kleeneze Holdings' shares lost 12 per cent yesterday after the home shopping concern warned that it expected only a small profit for the year to August 31, compared with £1.06m.

However as a mark of its confidence in its prospects, it said the full year dividend would be not less than 1.5p, against 1p.

The shares fell 18p to 138p yesterday.

The company blamed weak control over the recruitment of new agents during 1993 and 1994, which had led to the need for a bad debt provision of about £1m.

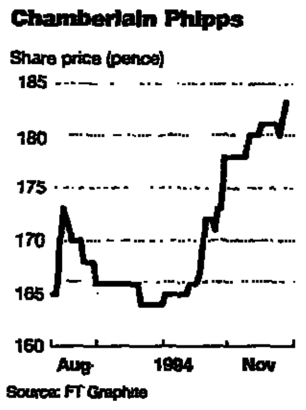
This was in addition to the previously announced adverse impact of operating losses and losses on the disposal of The Leading Edge, estimated at £1.5m.

Chamberlain Phipps rises fourfold in maiden interims

By Peggy Hollinger

Chamberlain Phipps, the shoe components and footwear group, reported maiden interim results showing a fourfold increase in pre-tax profits, and announced its first acquisition since it returned to the market in August.

Pre-tax profits for the six months to October 1 jumped from £1.05m to £4.5m, on turnover doubled from £32.2m to £66.6m. The profits figure included an £800,000 reorganisation charge and, for the first time, results from Chamberlain's French operations bought just over a year ago.



Mr Dan Sullivan, the US-born chairman, said that, on a like-for-like basis, pre-tax profits for the half-year rose by about 21 per cent to just over £5m. Sales on a like-for-like basis, excluding disposals, had been flat.

The materials division, which includes the footwear components business formerly owned by Evode, improved operating profits from £1.32m to £1.62m, on sales 23 per cent down at £19.6m. Mr Sullivan said trading in the UK continued to be difficult, although the division had enjoyed strong export growth of about 15 per cent.

The footwear business, including SAC and Thierry which were not consolidated into the group's results at flotation, increased operating profits from £391,000 to £4.19m. Sales jumped from £6.59m to £47m.

Chamberlain also announced a conditional agreement to acquire Ouest Parts, the largest supplier of components to the French shoe industry, for about FFr74m (£8.79m) in cash. Last year the group returned profits of about £1.4m and had net assets of about £2.2m. Mr Sullivan said he expected to expand further in continental Europe, and Chamberlain was currently in discussions about a second purchase.

Chamberlain finished the first half with net debt representing almost 90 per cent of shareholders' funds. This was expected to fall to about 60 per cent by the year-end.

The group declared a maiden dividend of 2.7p. Earnings rose from 6.7p to 7.9p. On a pro forma basis earnings rose to 7.7p.

Chamberlain's shares, floated at 165p in August, closed 3p up at 183p.

Scottish Investment net assets dip 6%

Net asset value per share of Scottish Investment Trust fell by 6 per cent from 280p to 263.2p over the year to October 31.

For the 12-month period, net revenue edged ahead to £14.2m (£14.1m). Gross income totalled £29.8m (£27m).

Earnings per share improved from 5.48p to 5.49p and a final dividend of 3.39p (3.2p) is recommended for a total of 5.15p (4.9p).

Strong sales growth lifts CPL Aromas to £930,000

By David Blackwell

CPL Aromas, the fragrance and flavour manufacturing company floated in June, boosted interim profits by almost 35 per cent on the back of strong sales growth.

Pre-tax profits for the six months to the end of September rose from £690,000 to £930,000. Sales, which are split 40/60 between the UK and overseas markets, grew from £8.43m to £9.76m.

The shares, which were placed at 150p, closed up 1p at 201p yesterday.

Mr Terry Pickthall, the founder and chairman whose family still holds 36 per cent of the shares, said the group had experienced organic growth across the board in its markets. "It's nice to see that our existing operations can achieve this organic growth before our Aromachem operation starts."

The group, which raised £4m in the flotation, is investing in a new aroma chemicals facility on Teesside. It is expected to start production next summer, and contribute to profits in 1996-97.

Margins remained flat at 10 per cent in spite of raw material price increases. Mr Pickthall said the group had been able to find alternative sources of supply to offset some of the rises.

Net cash at the period-end was £1.18m. Interest payable fell from £148,000 to £55,000.

Earnings per share were 6.6p (5.9p), and the interim dividend is 1.2p.

Osborne & Little rises 60%

Continuing recovery in the UK coupled with a 28 per cent rise in US sales enabled Osborne & Little, the wallpaper and furnishing fabrics group, to hoist pre-tax profits by 60 per cent from £947,000 to £1.51m in the six months to September 30.

With turnover up 28 per cent at £11.7m (£9.1m) continued cost controls helped operating margins rise 2 percentage points to 12.8 per cent. Earnings were 15.15p (9.33p) and the interim dividend is raised to 3.5p (2.5p).

Sir Peter Osborne, chairman, said the second half continued to perform well. Although the company would incur the initial costs of setting up its French operation and an additional UK warehouse, he was "confident of an excellent outcome for the year."

COMPANY NEWS: UK

Babcock back in the black with £2.83m

By Andrew Baxter

Babcock International, the engineering contractor, materials handling and facilities management group, returned to profit in the half year to September 30, but is again omitting its interim dividend.

The group, which is in the first few months of a three-year restructuring plan, made pre-tax profits of £2.83m, compared with losses of £9.18m.

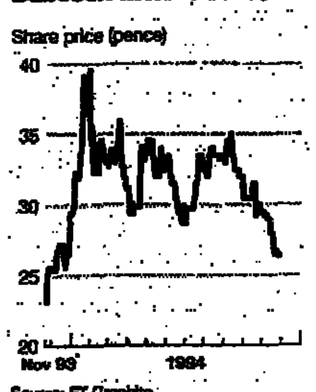
Mr John Parker, chairman, said the modest profit was in line with the corporate plan, which was on schedule, and profitability would improve in the second half.

However, higher then expected losses in the group's main problem area, its energy division, caused analysts to downgrade full-year profit forecasts.

Turnover fell from £413m to £349m, partly reflecting the contraction of the energy division and reduced revenues from Babcock's Drax flue gas desulphurisation contract for National Power, now approaching completion.

The group order book fell from £608m to a "satisfactory" level of £569m, which excludes the £100m-plus refit contract for HMS Superb, to be handled by the Rosyth Royal dockyard.

The loss at the energy division was reduced to £6.85m (£13.7m), on turnover down from £178m to £108m. Its restructuring was proving to be tough and demanding, said Mr Parker, and had required wider management changes than originally envisaged.



Source: FT Graphite

Additional costs have been identified on some older contracts and there was no gross margin on about £25m turnover elsewhere. Also, tendering costs were heavy, as winning a large power plant order remained a priority.

Babcock is awaiting decisions on 14 big power plant tenders, and – in consortium – is one of four groups bidding for National Power's Pembroke FGD contract. That would be worth about £100m to Babcock, said Mr Nick Salmon, chief executive.

The best performing division was facilities management, where profits were £5.2m (£4.2m) on turnover of £98.1m (£101m). Babcock is the sole bidder for Rosyth dockyard, where it has a management contract until March 1996.

Mr Parker said Babcock Rosyth Defence, as the dockyard operator, could end up leasing the facilities from Rosyth 2000, a consortium of which it is a member. The consortium is a separate initiative from the proposed privatisation.

Net cash at September 30 was higher than expected at £53.7m (£10m debt). Earnings per share were 0.17p (1.59p losses).

● COMMENT

This was always going to be a transitional year for Babcock, with its new management team and strategy. The more optimistic full-year forecasts, of as much as £25m pre-tax – against a £41.2m loss – implied that the energy division would break even, which is clearly wide of the mark. House brokers Smith New Court have revised their forecast down from £17m to £13m, giving earnings of 1p and a prospective p/e of 26. Shareholders, however, should focus on prospects for the following years, where the groundwork for a solid recovery in profits and dividends has been laid. The dividend question will be reviewed at the year-end.

Concentric maintains growth with 9% increase

By Paul Cheeseright, Midlands Correspondent

Concentric, the West Midlands-based engineering group with 60 per cent of its sales in automotive markets, continued its earnings growth with a 9 per cent rise in profits and predicted further gains in 1994-95.

The group yesterday announced that pre-tax profits for the year to September 30 were £10.24m, compared with £9.36m previously. This puts earnings comfortably above the level of 1990, the peak year before recession.

On earnings per share at 12.73p (12.03p), Concentric is lifting the dividend by 5 per cent from 5.86p to 6.15p, with a recommended final payment of 4.29p.

"We are able to be competitive in most countries and our products and technology are considered to be attractive. It is from that secure base that we expect to make further progress this year," said Mr Tony Firth, the chairman.

Helped by expanding sales in North America and East Asia, with a stronger domestic market – "Europe has been an economic non-event for years," according to Mr Firth – Concentric's turnover rose to £127.9m (£116.4m). Exports accounted for 32 per cent of sales.

But like other engineering groups, Concentric is experiencing sustained pressure on its margins. It is, as Mr Firth put it, "the pig in the middle" of rising raw material prices and the demands of customers to hold selling prices. "We did quite well to hold our margins," he said.

The pressure on margins led both to further restructuring which cost £0.4m and to continued capital investment.

Concentric last year spent £7m on investment, compared with £8m in 1992-93, and expects spending to be maintained around this level in 1994-95. "If you don't spend a lot of money, you're out of the race," commented Mr Firth.

The group ended the year with net cash balances of £8.3m, which is £0.4m less than a year before.

The shares were unchanged at 178p.

Former Spring Ram chief makes City comeback in £6.6m deal

Rooney takes the helm at Atreus

By Richard Wolffe

Mr Bill Rooney, former chief executive of Spring Ram, yesterday returned to the City to announce a £6.6m deal to take control of Atreus, the bathroom goods supplier.

Mr Rooney, who will become chairman of the recently floated company, heads a consortium which is investing £4.8m in Atreus shares and convertible loan notes.

His family trusts are also underwriting an open offer of 18m new shares to shareholders at 10p, on a one-for-two basis.

Atreus shares closed up 4p at 13p yesterday.

The investment comes 14 months after institutional investors forced Mr Rooney off the Spring Ram board.

His departure followed revelations of false accounting at its Balterley Bathrooms subsidiary and three profit warnings in eight months. Before this, the group had enjoyed 13 years of spectacular growth.

Mr Rooney is joined at Atreus by Mr Alan Bell, former chief executive of Spring Ram's kitchen division, and Mr Ron Farr, former chief executive of Spring Ram's special products business.

Mr Rooney said: "We saw ourselves coming back to the City in three or four years' time, after the dust had settled, but Atreus approached us. With our expertise and cash, they felt we had a nice partnership."

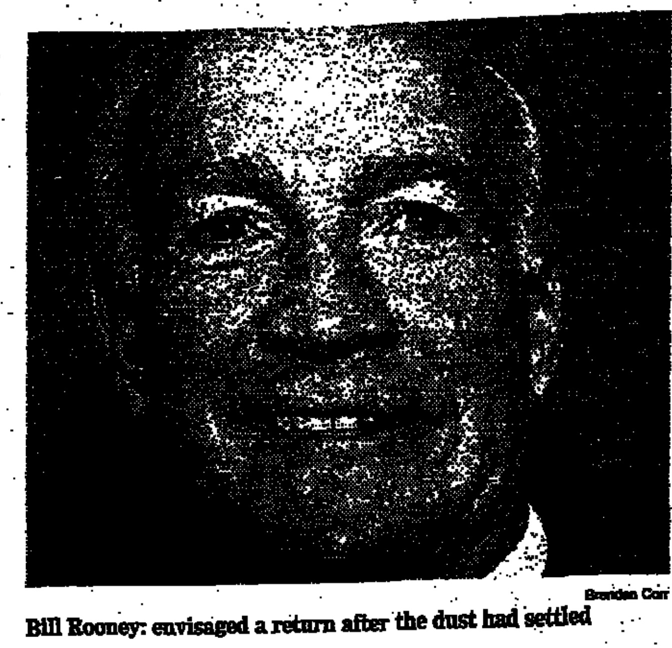
The subscription and open offer is expected to raise about £6.4m net of expenses to fund new products and acquisitions in related sectors of the home improvement market.

Alongside the takeover deal, Atreus announced the acquisition of Samson Stairs, which manufactures wooden balustrade systems, in return for 2m ordinary shares.

Mr Bell, the new chief executive of Atreus, said: "If we cannot treble what we have in two or three years, we might as well go home.

"It is very exciting to go into the 1990s with a clean sheet, but it is unlikely we will be building too many large factories in the next few years."

Atreus gained an official listing in March 1993 by a reverse takeover of the shell company URS International. The group had a market value of £7.76m after a placing and public offer of 27.5m shares at 20p each.



Brendan Corr

Bill Rooney: envisaged a return after the dust had settled

At the time the board said it wanted to grow by expanding its product range. However, the company issued a profit warning last January, saying that the company had suffered pressure on margins.

Atreus yesterday reported pre-tax losses of £331,000 (£551,000 profit) on turnover of £2.94m (£3.78m) in the six months to September 30.

Mr Charles Gillams, chairman, said the losses reflected the cost of an overhead reduction programme and weak consumer spending.

The board did not declare an interim dividend.

RPC edges ahead to £4.4m

By Geoff Dyer

Despite an increase in the cost of raw materials of up to 60 per cent, interim pre-tax profits at RPC Group, the rigid plastic packaging manufacturer, edged ahead from £4.24m to £4.4m.

Turnover from continuing operations slipped to £35.9m (£36.5m) for the half-year to September 30. However, acquisitions took total sales to £37m. The accounting period was one week longer in the previous half-year.

Shares in RPC, which came to the market in May last year, firmed 5p to close at 144p.

Mr Ron Marsh, chief executive, said trading for the period had "gathered pace after a slow start". Demand for paint containers was depressed at first, but activity had picked up well in the second quarter.

Operating margins rose from 12 per cent to 12.6 per cent despite rising costs for plastic polymers of between 30 and 60 per cent. Mr Marsh said the group had been able to pass on those costs to customers.

Operating profits on continuing operations rose 5 per cent to £4.6m (£4.39m). Interest payable rose to £261,000 (£154,000), following the acquisition of the industrial containers business of Lawson Mardon and McKechnie's UK packaging business. Gearing increased from 14 per cent to 42 per cent.

RPC had negotiated a number of long-term contracts, including Heinz, Colman and ICI. Some had "secured the group's supply position well into the second half of the decade", Mr Marsh said.

Earnings per share slipped 0.1p to 5.3p. The interim dividend is 1.1p (1p).

Secure Retire rises by 21%

Secure Retirement, which floated in April, achieved pre-tax profits of £254,000 for the half year to September 30, a 21 per cent improvement on £210,000 last time.

Turnover of the company, which builds sheltered housing for the elderly, edged 4 per cent ahead to £1.22m (£1.17m) for the period.

jEarnings per share were 2.33p (2.09p).

No interim dividend is declared. However, the board hopes to be able to consider payment of a dividend at the year-end.

Forward edges ahead and makes £3m sale

By Gary Evans

Forward Group, the USM-quoted specialist circuit board maker, yesterday reported a small increase in interim profits and the £3.96m sale of its Chemical Express offshoot to its management.

Pre-tax profits rose by £10,000 to £940,000 in the six months to July 31, on turnover of £10.9m (£10.2m). Earnings per share dipped to 7.5p (8p), but the interim dividend is raised by 25 per cent to 2.5p (2p).

Mr Ray Chamberlain, chairman, said the result, though in line with expectations, was affected by temporary disruption which occured at Forward Circuits' Tamworth factory, while a large-scale investment programme in new inner layer manufacturing capacity was undergoing commissioning trials.

Margins fell temporarily as certain sub-contract services had to be purchased, he explained. This situation would also have an impact on second-half results, he said, but trading prospects "remain very positive."

Chemical Express together with its subsidiary, the One Stop Chemical Shop, makes and markets a range of cleaning, maintenance and janitorial products. But because it is no longer considered part of the group's strategic plan, it is being sold in a cash deal, which will in the short term, substantially reduce gearing.

However, Mr Chamberlain said: "We are currently considering a number of business opportunities and should negotiations be successfully concluded, then a substantial proportion of the proceeds will be reinvested in businesses which strengthen the core activities."

Pressure on margins hits Tomkinsons

As forewarned in September, Tomkinsons, the carpet manufacturer, reported a 36 per cent fall in pre-tax profits in the year ended October 1 from £1.13m to £718,000.

Sales in the period fell to £19.5m (£20.5m), but margins suffered from tough market conditions, including "severe price cutting" and came through at 4 per cent, against 5.5 per cent previously.

Mr Lowry Maclean, chairman, said yesterday that Tomkinsons had experienced only five months of reasonable trading activity in the 12 months.

On the day in September that the company warned on trading, its shares declined from 240p to 215p. yesterday they added 2p to 216p.

The final dividend is maintained at 8p, making an unchanged total of 11.5p. Earnings per share were 7.7p (12.2p).

Selecting a steady growth path

Andrew Bolger reports on the recruitment agency's expansion plans

Select Appointments (Holdings), the UK-based recruitment agency which was rescued from financial collapse three years ago by a group of Swiss investors, has renewed its ambitions to become a leading international group.

The USM-quoted company has made seven acquisitions this year and now operates in 12 countries. Its market value, which slipped to £540,000 before the 1991 takeover, now stands at £77m, following a £44m rights issue in August.

Select is backed by former managers of Adia, the Swiss-based recruitment agency. Floated in 1987, the agency had seen its profits and share price collapse after a period of debt-financed overseas expansion.

Mr Tony Martin, a former Adia director who became chairman and chief executive of Select in 1992, said: "We are trying to take the cyclicality out of the business, which has been the weak point of recruitment."

Mr Martin said the aim was to build a group which was diversified both geographically and sectorally. Currently more than half the group's turnover is in the US, but expansion into continental European is a priority.

Mr Martin believes that companies are realising the need to manage their payroll actively – often their biggest single cost. "The days of everyone working from nine-to-five, five days a week are over. Most companies now have core workers, surrounded by contract workers and then temps," he said.

The increasing involvement of women was also leading to more flexible working patterns. Mr Martin said that in 1992, 1 per cent of the US workforce was placed in temporary jobs by private agencies – and that proportion had now nearly doubled.

"The process is more advanced in the US, but we expect to see a similar rate of progress in the UK. About 15 per cent of the UK workforce is now temporary or part-timers, and that proportion is expected to rise to about 25 per cent over the next three to four years," he said.

His clients were starting to restructure their staffing levels. "More and more of our business is planned, long-term contract labour."

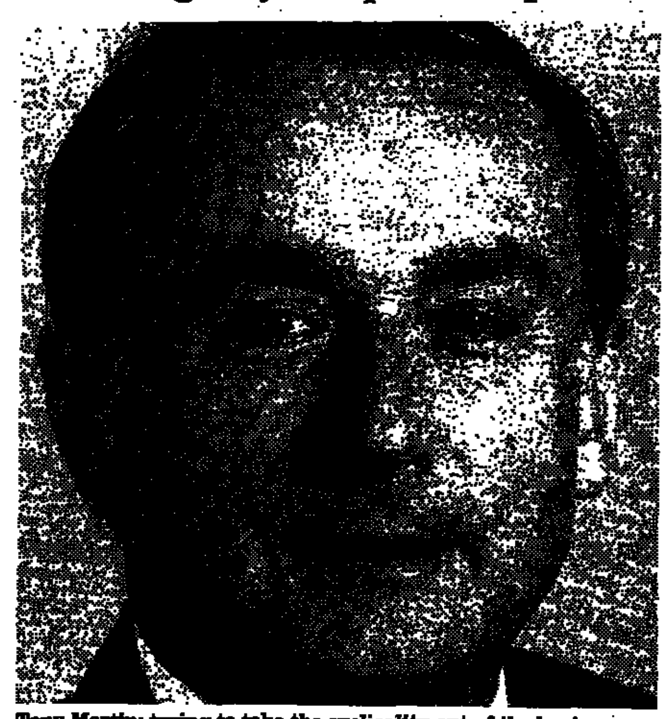
Select also points to a skills shortage, which has emerged unusually early in the recovery. In the UK, the agency has jobs for 100 heavy goods vehicle drivers and for word processor operators, if they can handle a broad range of software packages.

Mr Martin commented: "If we really are in for several years of steady growth, as the politicians suggest, these shortages will become really acute."

The Swiss investors in Select launched a £7.5m rescue, injecting £2.5m in exchange for 90 per cent of the equity, £2.5m to cut debt and £2.5m for working capital. Operations in the US, Australasia and France were sold.

The Swiss have so far invested a total of £35m in Select, although their share of the equity fell to 80 per cent following the August rights issue. The investors intend to keep their money in the group, but want institutional investors to dilute the Swiss equity stake to about 50 per cent as a result of further acquisitions and rights issues.

At the time of the takeover, Select had 30 branches for secretarial and administration staff in the UK, mainly in the south-east of England. It now has 51 branches in the UK, spread from Newcastle to Bristol, and has moved into computing, accounting and light industrial vacancies, such as drivers.



Tony Martin: trying to take the cyclicality out of the business

Select also has small operations in Switzerland, Hungary and Greece – but acknowledges that it must get into the European heartland of Germany, France and the Netherlands. Other operations are in Australia, Canada, Hong Kong and Japan.

Mr Zach Miles, finance director, said the agency sought businesses with further growth potential run by experienced local managers, who knew the country and culture and kept an equity stake in the business, the local name of which would be retained.

The group is not just expanding by acquisition – it has started up new ventures in Hungary, South Africa and Singapore. It is also prepared to franchise operations and inject cash into businesses.

Since acquiring a Californian accountancy agency for £4.2m last year, the number of branches has grown from eight to 12.

Select suffered a pre-tax loss of £600,000 in 1993, but is forecast to make £2.5m this year and £7.5m next year.

Select claims to be building its network with an eye to the bad times, not the good. Mr Martin said: "We are prepared to forego some profitability in the good times to avoid the expense of laying off staff and closing branches when next there is a downturn."

Clydeport placing gives £55m valuation

By James Buxton

Trading in shares of Clydeport, the privatised port operator on the river Clyde, will begin on December 8, following the placing with institutions of 43 per cent of the company's issued share capital. The placing, at 133p per share, values the company at £54.9m.

Some 14.1m shares were sold on behalf of existing shareholders, while a further 3.76m shares were issued by the company, raising £4.1m net of expenses to redeem preference shares and provide cash.

Montagu Private Equity has reduced its stake in the company from 28 per cent to 6 per cent, and the stake held by the company's management, employees and their families has fallen from 67 per cent to 45 per cent. 3i is retaining its 5 per cent stake.

In the 40 weeks to October 7 1994 Clydeport made pre-tax profits of £3.1m, including an exceptional gain of £1.45m from property transactions, on turnover of £11.98m. Pre-tax profits of £4.1m (before the exceptional item) are forecast for the full year.

Earnings per share for the 40 week period to October 7, excluding the exceptional gain, were 7.66p.

Net dividend for the 40 week period was 1.86p and the notional net dividend for 1993 would be 3.51p.

Monarch Resources back in the black

By Kenneth Gooding, Mining Correspondent

Monarch Resources, the London and Toronto-listed group that mines gold in Venezuela, has reported net income in the third quarter of $317,000 (£193,292) compared with a loss of $1.25m in the comparable period.

The improvement reflected an "excellent" performance at the troublesome Revemin processing plant and the start-up of the low-cost La Comorra mine during the three months.

The company has decided to change its primary stock exchange listing to Toronto from December 31 and has advised the London exchange of this decision.

La Comorra, which started up in the second half of August, produced 3,440 troy ounces of gold at a cash cost of $292 an ounce. There was an operating profit of $270,000 from the mine.

In the quarter the Revemin plant produced 5,103 ounces of gold (4,699 ounces in 1993) at a cash cost of $334 an ounce ($477).

Monarch's net income for the nine months to September 30 was $835,000 (net loss of $2.85m). Gold production reached 27,066 ounces (13,995 ounces). The average gold price received in the nine months was $384 an ounce ($350).

PROPERTY

Quote, unquote

Are listed companies good value, asks Simon London

From an international perspective, the structure of the UK property market is unusual. The quoted property sector is valued at £13.5bn, with assets of perhaps £16bn held in stock-exchange listed companies. No other country has such a large number of quoted property companies.

But are investors right to support such a large quoted sector?

Between 1970 and the end of 1993, the Investment Property Databank index showed an average annual total return of 12.4 per cent, excluding development and trading activity. This is the return available to a passive investor owning properties directly.

Over the same period, the quoted property sector also showed an average total return of 12.4 per cent.

In other words, property companies have – in aggregate, over the long term – added nothing to the performance of their underlying assets.

In theory, property companies should add value in two ways: through management expertise and gearing. The performance of the shares suggests these features are, at best, mixed blessings.

Management expertise costs money, which means that part of the investors' income is eaten away by executive salaries and administrative costs.

According to an analysis by Goldman Sachs, the US investment bank, on average 8 per cent of property companies' gross rental income is absorbed by administration costs, over and above the cost of maintaining the buildings.

This average figure hides a wide variety of performance. The most costly companies to run (usually developers) spend up to 20 per cent of gross rents on administration.

"There are too many property companies and too few with the necessary skills to outperform over the long run. There should be 40 larger property companies rather than 120 smaller ones. The savings in terms of expenses alone would enhance investment performance," said Mr Marc Gilbard, analyst at Goldman Sachs.

Gearing also cuts both ways. During the upturn shareholders see the value of their company rise far faster than an ungeared investment. When property values are falling, though, shareholders' funds can be rapidly eroded.

In an ideal world, property companies would borrow going into recovery and repay debts as the market started to peak. Yet the sector has a nasty habit of becoming overgeared at the wrong point in the cycle.

For example, average gearing across the sector is now about 60 per cent, low by historic standards in spite of the early stage of recovery. Yet as the market peaked in the late 1980s, average gearing rose to more than 100 per cent.

In practice, gearing makes the performance of the shares more volatile than the underlying property market.

This volatility is a disadvantage. Most institutional investors are interested in the risk-adjusted return from their assets. Volatile assets have to work harder to justify their place in the portfolio.

There are two main arguments in defence of property companies. First, just because property companies in aggregate do not outperform their underlying assets does not mean that individual companies cannot deliver spectacular returns.

One of the best performing property companies over the past 20 years has been Helical Bar, the developer run by Mr Michael Slade. The shares have provided an annualised total return of 66 per cent over that period, outperforming both the property market and the wider equity market by a streak.

(Incidentally, the company also has one of the highest ratios of expenses to rental income.)

Second, and more important, quoted property companies provide investors with liquidity. This allows fund managers to increase and decrease their exposure to the market at speed and low cost.

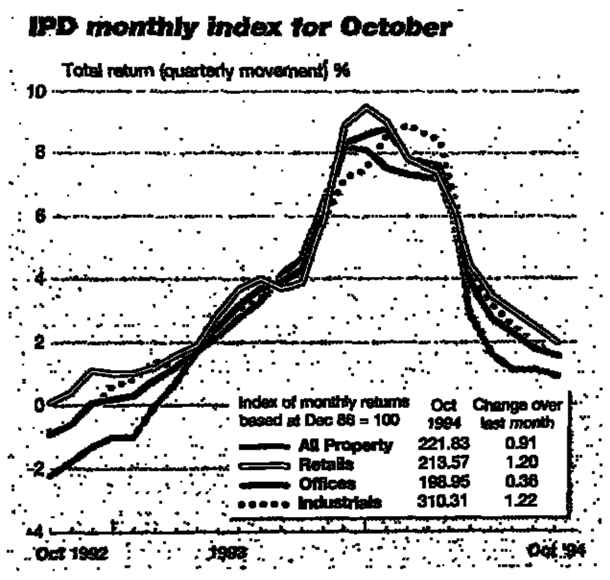
In contrast, buildings are an illiquid asset which are expensive to trade and only available in large packages. Smaller investment institutions and private investors, without the expertise to buy and manage a portfolio, rely on property companies to do it for them.

If used effectively, the liquidity of property shares should help fund managers achieve a better performance than from a passive portfolio of properties. A fund which cleared out of the sector in 1989 and bought again in 1992 will have seen impressive gains.

Yet fewer, bigger property companies would provide better liquidity at lower administrative cost than the fragmented quoted sector now in evidence. Against this background, it is surprising that so many property companies have managed to flourish.

If the underlying property market is in for a dull period, as many forecasters predict, companies which are low on management expertise and high on expenses will struggle to justify their existence. Without a buoyant property market to fall back on, the lacklustre performance of their shares will be all the more obvious.

IPD monthly index for October



For the first time since December 1990, rental values for all properties have shown a positive movement, achieving a growth of 0.1 per cent in October, according to Investment Property Databank, a research group.

The improvement has been led by a rental growth of 0.2 per cent in the retail sector. For the second consecutive month capital values have shown a downward movement, by -0.2 per cent.

This capital-value decline has fed into the all-property total return which, although still positive, continues to slow, recording 0.4 per cent for October.

The all-property equivalent yield has stabilised at 8.1 per cent, although the underlying yield shift continues to move outward, standing at 0.02 for October.

The rates of both capital growth and total return have continued to slow.

Year-on-year total return has declined by 1.6 percentage points, achieving 22.0 per cent for the year to October.

Capital growth has slowed across all sectors with an all-property capital growth of 12.6 per cent for the year to October, compared with 13.9 per cent for the 12 months to September.

Retail continues to be the best-performing sector with a return of 0.6 per cent, while industrials and offices lag behind returning 0.4 per cent and 0.2 per cent respectively.

COMMERCIAL PROPERTY

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Lawyers for Hang Seng Data Services Limited and HSI Services Limited
Dated 25 November 1994

RECRUITMENT

Jobs: Longer term performance-related share bonus schemes are a stiffer test of management ability

Cutting the head count and cashing in

By US standards the £205,000 rise in basic annual salary awarded to Cedric Brown, the chief executive of British Gas, is nothing to write home about. In the UK, however, a 75 per cent rise for the head of a former public utility could hardly go unnoticed on the weekend of the first national lottery draw when a large proportion of the country's adult population was dreaming of sudden riches.

Postal chiefs, in particular, must have been weeping over what might have been theirs but for a few recalcitrant Conservative MPs bent on keeping the Royal Mail in public hands.

Michael Heseltine, the industry secretary, appeared to defend the rise when he said that the former state-run utility had been transformed into a "world class company, winning in the market places of the world." By 1998, after its reorganisation is complete, the company will have shed some 40,000 jobs out of its UK gas business.

The British Gas remuneration committee concluded that its directors were underpaid compared with other UK-based international companies of a similar size. While retention would not be expected to be an issue with Brown, who at 59 has a 39-year career in the industry behind him, the company pointed out that were he to fall under a bus tomorrow it would need to have a competitive salary and bonus package in place to attract potential successors.

Gordon Brown, Labour's industry spokesman, has responded by assuring us that he will remove the tax benefits for executive share options which have bumped up directors' pay for so long. It seems that the Conservative Party is working on similar lines.

As pointed out here previously, however, removing the income tax exemption is unlikely to make much difference to the popularity of such schemes for the simple reason that the top marginal rate of income tax from which the realised options are exempt is the same as that of Capital Gains Tax from which they are not.

The biggest loss in any change would be the annual £5,800 tax free allowance for CGT and the ability to delay the tax liability to the point at which the shares are sold. The differences made by such a change in tax treatment could not be expected to deter companies from running executive share option schemes.

David Tuch, a tax partner at KPMG Peat Marwick, argues against removing the income tax exemption if options are to be used as a way of keeping a director's financial interest in the company. Income tax could force their sale, in part, to pay the tax that would become due at the point the option was exercised, he says, thus reducing the financial interest which remuneration committees are seeking to retain.

In a new survey into executive share option schemes, KPMG has found that some £7bn of the £10.5bn in publicly quoted shares allocated to executive option schemes in the UK are without reference to the performance of the company.

While the situation is changing, says Tuch, slightly more than half the companies introducing schemes since 1988 have provided performance targets for their schemes.

Tuch is unimpressed by the various targets linked to earnings per share which he says have not proved very demanding in most cases. He suggests that regulations could be introduced, imposing restrictions extending the period that executives need to hold onto their options after they have been granted. This would reduce the temptation to cut and run. Such restrictions already exist in the US and France.

At least British Gas is making its executive pay more visible and replacing its existing executive directors' share option scheme with a long-term incentive arrangement similar to that operated by Reuters. This will align the interests of the executives more closely to those of the shareholders.

A suggestion by the MSF technical union this week that chief executives should have part of their pay related to their performance was timely, if also mischievous, particularly when the union added that it could be apportioned on the basis of an appraisal by subordinates.

The point that the MSF seemed to be making was that if you are going to introduce certain types of human resource medicines such as performance-related pay you should be prepared to take them yourself.

For some reason big companies seem to treat their directors on a different basis than their other employees. General pay rises to the mass of the workforce seem to be awarded using the principle that asks: what is the least we need to pay them while keeping them motivated and in post? In contrast the approach to the board and other higher management often seems to be: if you cut costs and maximise profits you will reap handsome returns for yourself.

This has led to what C.K. Prahalad and Gary Hamel described in their book, *Competing for the Future*, as an obsession among US and British management with improving their return on investment by reducing each or all of four elements: investment, net assets, capital employed and head count. As Prahalad and Hamel observe, US and British managers can downsize, declutter, de-layer and divest better than any others.

The result in Britain during the mid 1980s, they point out, was manufacturing productivity increasing faster than that of any other large industrialised country except Japan. While they cut their workforces, however, British companies did little to create new markets either at home or abroad, according to Prahalad and Hamel. In effect, they say, British companies surrendered global market share.

"One almost expected to pick up the Financial Times and find that Britain had finally matched Japan's manufacturing productivity – and that the last remaining person at work in British manufacturing was the most productive son of a gun on the planet," they wrote.

So who has reaped the financial benefit for this profitability at the expense of jobs? Is it the managers who made it happen? Is that what executive share options have done – awarded big bonuses to people who have learned how to get more out of fewer people?

These are the people who have employed equations similar to that quoted, somewhat cynically, by Charles Handy, the business writer – ½ x 2 x 3: half as many people in the core of the business, paid twice as much, producing three times as much.

Prahalad and Hamel, however, warn against too vicious downsizing. They write: "What employees hear from such companies is 'people are our most important assets'. What they see is that people are the most expendable asset."

Restructuring seldom results in fundamental business improvements, they write. At best it buys time. What it may have also bought is time for smaller competitors benefitting from growth fed partly by the expertise of those employees cleared out in the recession.

In the meantime consultants continue to wrestle with the most appropriate ways of rewarding and retaining higher management. If the British Gas pay package had been structured to encourage its top managers to come into the company, restructure, then take the money and run, the criticism of Brown's pay rise might have had more validity.

Unlike many other companies – as the KPMG report revealed – British Gas has tried to link pay and performance in a meaningful and transparent way.

In so doing it appears to have overcome the iniquities of simple bolt-on share options where performance is related more to the level of the market. The real performance test now will be whether managements of slimmer, restructured companies can produce the growth to match productivity gains.

Richard Donkin

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Lothian Health has a revenue allocation of in excess of £400m and carries responsibility also for general practitioner services and other community services with a spend of some £100m each year.

Based in the City of Edinburgh, a city renowned for its high quality of life, Lothian Health plans and commissions healthcare services for a resident population of some 750,000, led presently by some 500 general practitioners in the community and six NHS Trusts; a number of supra-area and national services are also provided in the area.

It works in close collaboration with one of the leading medical schools in the country at the University of Edinburgh, and has long established close relationships with local authorities and numerous voluntary organisations.

The Secretary of State for Scotland has approved a major restructuring and rebuilding of acute hospital area services including the establishment of a new campus on the fringe of the city for the world renowned Royal Infirmary of Edinburgh. Much leading edge medical research is carried out in Edinburgh and a great deal of innovative development is occurring throughout the service in Lothian.

The post of General Manager is an exciting and challenging one leading an able and committed executive team to deliver a very extensive programme of major strategic change across the whole range of services, while ensuring the maintenance of the high quality healthcare services for which the area is well known.

The remuneration package for this post, which carries executive membership of Lothian Health Board, will be commensurate with its scale and importance to Lothian Health.

An information pack is available from the Chairman of Lothian Health, Dr John Baynham, CBE, who will be happy to discuss the post with prospective candidates.

Prospective candidates should contact: Dr J W Baynham, CBE, Chairman, Lothian Health, Deaconess House, 148 Pleasance, Edinburgh EH8 9RS, Tel. 031-536 9002. Fax. 031-536 9011.

Closing date for receipt of applications: 7 December 1994.

BANKING FINANCE & GENERAL APPOINTMENTS

CORPORATE FINANCE

The continuing success and expansion of N M Rothschild's corporate finance activities have created career opportunities at Manager, Assistant Manager and Executive level for high-calibre individuals with development potential and experience.

The work will focus on mergers and acquisitions, new issues, buy/sell mandates, privatisations and financial advisory work for corporate clients. Training and development is first-class, and career progression can be rapid for high performers.

All candidates will need to demonstrate a consistently excellent academic record including a good honours degree and first-time passes if professionally qualified. Applicants for Manager and Assistant Manager posts will have had relevant mainstream corporate finance experience.

Communications skills and a strong commercial orientation are essential, together with a proven ability to work as part of a team.

Salary packages and personal development prospects are excellent.

In the first instance, please send a personal résumé detailing your education and experience, in the strictest confidence, to Rodney Lonsdale, Personnel Director, N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU.

N M ROTHSCHILD & SONS LIMITED

EXETER INVESTMENT GROUP
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INVESTMENT MANAGEMENT EXETER

Exeter Asset Management Limited, a member of Exeter Investment Group, acts as investment manager for four quoted investment trusts and for the seven authorised unit trusts marketed by our sister company, Exeter Fund Managers Limited. Funds under management currently exceed *£300 million.*

Following a period of rapid expansion we are seeking an experienced individual to join the existing four person investment team.

A competitive salary will be offered together with a range of other benefits.

Please apply in writing with a full CV to CJ Whittingslow, Exeter Asset Management Limited, 23 Cathedral Yard, Exeter EX1 1HB.

Exeter Asset Management is an equal opportunities employer.
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Box A5003
Financial Times

BRITISH VIRGIN ISLANDS
Increasing the scope and focus of Offshore Insurance Services

Insurance Services Adviser

The British Virgin Islands (BVI) has emerged as a major player in the provision of financial services to the global market. The combination of recently enacted legislation and genuine government-industry partnership and collaboration has fuelled the process. To ensure that offshore financial services continue to make a substantial, long-term contribution to the BVI economy, the Government is committed to diversifying the services available in the sector, which currently accounts for c.40% of direct government revenues.

A comprehensive new act, due to become law in early-1995, will particularly enhance the attractiveness of BVI to insurance companies, including those involved in Captives, Life and Reinsurance. As a result, the Government is now looking for a seasoned insurance specialist to work closely with and report to the Director of Financial Services. As Supervisor of Insurance, you will establish and implement new procedures for the vetting, monitoring, regulation and supervision of all activities in the insurance sector. The strengthening of links regionally and internationally with regulatory authorities and law enforcement agencies will be a key feature of the role, as will the provision of advice and input on a range of issues from the promotion of offshore services to staff training and development.

QUALIFICATIONS

The role demands at least ten years' experience in the insurance industry, with regulatory experience of insurance sector compliance work. A formal insurance qualification would add weight to your application. Overseas experience either in North America or Western Europe would be preferred. *Applicants should either be nationals of a Member State of* the European Community, nationals of a European Economic Area Member State (i.e. Austria, Finland, Iceland, Norway or Sweden) or Commonwealth citizens who have an *established right of abode and right to work in the United Kingdom.*

TERMS OF APPOINTMENT

You will be on contract to the British Government for 1 year, in service to the Government of the British Virgin Islands. Salary will be c.£35,000 p.a. - £40,000 p.a. (UK taxable). Additional benefits will normally include variable tax-free overseas allowances, children's education allowances, free accommodation and passages.

Closing date for receipt of completed applications is 14 December 1994.

For further details and application form, please write to Appointments Officer, Ref No AH304/MMcC/FT, Abercrombie House, Eaglesham Road, East Kilbride, Glasgow G75 8EA, or telephone 0355 843434.

ODA is committed to a policy of equal opportunities and applications for this post are sought from both men and women.

ODA

OVERSEAS DEVELOPMENT ADMINISTRATION
BRITAIN HELPING NATIONS TO HELP THEMSELVES

Qatar General Petroleum Corporation

QATAR GENERAL PETROLEUM CORPORATION (QGPC) is the national oil company of Qatar with its head office based in the capital city of Doha. QGPC is a large progressive organization with a successful history in the hydrocarbon industry and an exciting programme of developments including the world's largest proven gas reserves 'The North Field'. These development plans now call for a number of high calibre professionals to fill the following key positions:

MANAGER CORPORATE FINANCE

Duties
The successful applicant will report to the Director Finance and will manage the activities of 15 staff involved in:

- Computer modelling of the long-term capital requirements of the Corporation's multi-billion dollar oil and gas projects, joint ventures and investments; identifying sources of finance including revenue, bank loans, and export credits; structuring and negotiation of packages with financial institutions; interfacing with financial advisers; monitoring and controlling drawdowns; and checking, approving repayments, and
- Consolidation and analysis of *group accounts.*

Qualifications
Candidates must have a university degree (*ordinary masters or doctorate*) in economics, accounting or a related field. Professional accounting status (chartered or certified) is desirable.

Experience
A strong background in management, major project financing, the oil and gas industry, and energy accounting is required. The successful candidate will have worked for an oil and gas major and/or a major bank involved in large oil and gas project financing at a senior level for 10-15 years. **Ref. FIN01.**

THE COUNTRY

Geographically, Qatar is a peninsula projecting into the Arabian Gulf, with a warm coastal climate. Whether you are playing golf, relaxing on our beaches, joining in a range of sports offered at our clubs or just savouring the warm welcome and the enjoyable way of life, you will find that Qatar is the undiscovered pearl of the Middle East. This forward progressive, independent state is one of the most accommodating to the western culture where wives and families are encouraged to participate fully in the community. This together with the very obvious financial rewards, add up to one of the most attractive packages currently available in the Middle East.

EMPLOYMENT PACKAGE

The rewards, like the challenges, are substantial. All posts offer tax free salaries on long term contracts, free spacious air-conditioned accommodation, free medical and dental care, children's education assistance, generous annual leave (with paid air fares), transport allowance and heavily subsidised sporting and social facilities.

Candidates who must have the appropriate qualifications and experience to be considered **should send their resumes with a covering letter showing how they meet the specific requirements of the position applied for.** They should quote appropriate Reference Number, details of current salary, date of birth, availability and contact telephone/fax. All applications should be sent to our Representative at the following address:

ROUSTABOUT PUBLICATIONS LTD.

Dennis Davidson, QGPC Advertisement, Roustabout Publications Limited, Suite 5, International Base, Greenwell Road, Aberdeen AB1 4AX. United Kingdom.

UNIVERSITY OF DUBLIN
TRINITY COLLEGE

Director of IS Service

Applications are invited for the post of Director of IS Service. The appointee will carry overall responsibility for the strategic direction and management of the College's information systems service, which has recently been the subject of major review arising from which an integrated overall system is being developed.

There are currently about 40 staff in the information systems centre; the annual budget is over IR£2m.

The appointee will be expected to take the lead in the implementation of a number of strategic information systems initiatives to service academic and administrative users.

Candidates should be graduates or hold equivalent professional qualifications and should have substantial management experience in the planning, organisation and delivery of computing and related services in a complex user-centred environment. The leadership qualities and communication skills necessary to manage change will be vital attributes.

A seven year contract will be offered to the successful candidate. Salary will be within the range IR£37,574-IR£47,137 per annum.

Further particulars available from:

Michael Gleeson
Secretary to the College
West Theatre
Trinity College
Dublin 2.
Tel: +353-1-702 1159
Fax: +353-1-671 0037
E-mail: secretary@tcd.ie

Closing date: **Monday 19th December 1994.**

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Our client is a leading supplier of fully integrated systems for Banks, providing complete solutions for their trade support/processing, risk management and finance requirements. Due to the success of their products they require high calibre operations managers interested in utilising their skills in consultancy, configuration, training and product development. Strong business and analytical skills gained from a treasury settlements or fixed income operations area of a large bank are essential, along with excellent interpersonal skills.

Regulatory Control
To £40,000

Leading City Institution seeks to recruit an experienced individual with an extensive knowledge of both client money and safe custody relationships. Duties for this demanding and high profile role will include reviewing and developing policies for new and existing Securities and Derivatives markets, training and interpretation of existing rules and marketing of procedures. Excellent prospects exist for the successful candidate. Maximum age would ideally be 28-35 years'.

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Telephone 071 638 5286 Facsimile 071 382 9417
A Member of the Blomfield Group

Property Finance

Excellent opportunities for talented property financiers to join expanding London based team of British bank. Active in the property market throughout the recession with positive deal flow and extensive portfolio. Clear strategy for growth, well resourced.

Marketing Manager

Performance Related Package

THE POSITION
- New business development for the investment property portfolio.
- Responsible for handling every aspect of transactions: marketing, negotiation and execution.
- Build relationships with property companies at senior levels.

QUALIFICATIONS
- Highly motivated, entrepreneurial and ambitious property finance marketer.
- Minimum three years' relevant experience with top property team.
- First class communicator, pc literate with initiative, creativity and flair.

Ref: CN4603

Account Manager

To £40,000 + Benefits

THE POSITION
- Manage client relationships. Liaise with clients, lawyers, valuers and other professionals.
- Undertake credit reviews and negotiate legal documentation with client accounts.
- Provide high quality client service.

QUALIFICATIONS
- Proven account manager from established property investment team.
- Strong credit and pc skills. Prior exposure to all aspects of transaction management important.
- Genuine customer commitment and exceptional professional standards.

Ref: CN4604

Administrator

To £25,000 + Benefits

THE POSITION
- General administration role supporting property finance team.
- Broad remit including insurance, monitoring loans, legal support, providing management information and day to day correspondence.
- Opportunities exist for career development into account management.

QUALIFICATIONS
- Relevant experience gained from either property finance or other asset fiance team.
- Strong interpersonal and communication skills.
- Hands-on style, team player. Computer literate, familiarity with spreadsheets essential.

Ref: CN4605

Please send full cv, stating current salary and appropriate reference number, to NBS, 10 Arthur Street, London EC4R 9AY

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CIS Specialist

Highly Attractive Salary Package | **City of London**

Rare opportunity to join established specialist investment banking team at senior level, focusing on the CIS. Involvement in the most significant and fascinating advisory and financing work in the region.

THE COMPANY
- Prestigious and profitable UK based investment banking group. Outstanding reputation.
- Strong track record in Russia and CIS. A leading regional financial advisor.
- CIS focused team in London liaises closely with colleagues in Eastern Europe office network.

THE POSITION
- Lead transaction teams on work across the banking product and service range.
- Provide advisory and execution services to clients on corporate finance and M&A, project finance, privatisation and capital markets products.
- Travel frequently to region. Act as flexible, expert resource within skilled, dedicated team.

QUALIFICATIONS
- First hand experience of doing business in the CIS over several years. Network of existing relationships and intimate knowledge of the region essential.
- Experience gained in bank or corporate. Preferably familiar with one or more of the following sectors: telecommunications, oil & gas and defence conversion.
- Fluent Russian helpful. Energy, resilience and passionate interest in the region.

Please send full cv, stating salary, ref CN4712, to NBS, 10 Arthur Street, London EC4R 9AY

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RISK MANAGEMENT

Equity/Derivatives Market

London | £ Excellent

Our client is the equity markets subsidiary of one of the world's premier banking organisations. Continued expansion, diversification and increased trading activity has created an exceptional opportunity for an experienced Risk Manager to join its stockbroking and securities division.

The successful candidate will be responsible for all aspects of risk monitoring which arise from the underwriting, trading and sales of equity and derivative products. The individual will report to the Head of Market Risk, managing a small team of experienced staff. Initially their main area of responsibility will lie in the further implementation of the Groups new systems and procedures to ensure that all aspects of risk are properly assessed, managed and reported.

The candidate should be familiar with:-
- Equity and equity derivatives
- Risk Monitoring controls and procedures
- Trading/Hedging strategies
- Risk measurement parameters/techniques
- Trading/Securities environment

Candidates of interest are likely to be numerate graduates with 2 years direct experience in a risk department as well as several years experience within a leading securities house. A knowledge of SFA regulation and in particular Position Risk Requirement would be an advantage.

All applicants should exhibit strategic awareness, strong interpersonal skills and a superior degree of professionalism to be considered for this high profile role.

This is an outstanding opportunity, with excellent long term career prospects in a middle or front office capacity. The rewards include a competitive remuneration package, commensurate with experience.

For further information, please contact our retained advisors, Guy Townsend or Brian Hamill of Walker Hamill Executive Selection on 0171-839 4444. Alternatively, forward a brief resumé to their London office at 103-105 Jermyn Street, St James's, London SW1Y 6EE, quoting reference GT 1569.

WALKER HAMILL
EXECUTIVE SELECTION

THE DJT GROUP LIMITED

LONDON BASED

ACTUARIAL AND PENSIONS RELATED EXPERTS REQUIRED

The DJT Group Limited, the well established Pensions and Financial Planning arm of London Merchant Bank Rea Brothers Group plc, is seeking to supplement its strong team of provincially based specialists by the establishment of a City office to cater for growth in London and the South East.

Working in a high business ethics environment, successful applicants will enjoy an attractive remuneration package and excellent prospects for personal development within this dynamic and well led organisation.

Applications are invited from suitably qualified and experienced specialists, male or female, for the following positions.

ACTUARIAL

There are openings for two senior Actuaries:

1) Essentially, candidates should be well qualified to provide in-house expertise in all aspects of costing, design, operation and computerisation of Self Administered, Final Salary, Director and Personal Pension Schemes. It is anticipated that this position will also carry the added responsibility of representing the new team at DJT Group Board level.

2) This post will suit a qualified pro-active Actuary having sound experience of both Final Salary and Small Self Administered Pension Schemes. A high degree of client contact is envisaged in this role, both for business development and the provision of technical services.

DOCUMENTATION

Candidates for this position must be experienced in the design and production of all pensions documentation to a high standard for both large and small schemes. The ability to communicate effectively with clients and their advisers is essential to ensure that tailor-made strategies are the optimum for each situation within the prevalent legislation. The successful applicant will further be expected to make a significant contribution to the development of the Group's Independent Trustee activities. (both statutory and non-statutory)

MARKETING

Must possess extensive knowledge of both Company and Personal Pension schemes and be experienced in the progressive structuring of customised strategies to cater for all aspects of a clients affairs. Significant personal and communication skills will be required to develop and maintain strong financially related affiliations with clients and their advisers. As with the second actuarial position, a major feature of this role will be to foster effective long term relationships with the professions (including independent financial advisers) in the South East.

Applications, in writing, with full details of your experience and qualifications, quoting reference DJT 11/94 to: George Hopwood, The DJT Group Limited, Deakins Mill, Egerton, Bolton, Lancashire BL7 9RP.

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MARKETING MANAGER CORRESPONDENT BANKING

Spearhead international business development within a well-established City organisation

This newly-created pioneering role within the UK operation of a leading European banking group offers a unique career challenge to a strong-minded, marketing-orientated banker with a proactive approach to new business development who can grow with the job. Salary will reflect the level of competence and experience required.

The role
- build bank's international profile as a leading player in correspondent banking
- devise, develop and implement a marketing plan
- seek out and develop new international niche market opportunities
- enhance existing close senior-level contacts within European/global banking networks and major financial organisations
- lead, motivate and develop small professional operating team to achieve goals.

The person
- aged 30-40 with at least five years' marketing experience in business-to-business banking
- good knowledge of large international banking networks, their cultures and specialities
- conversant with international money markets, transactions, treasury and cash management
- understands electronic banking systems, especially CHAPS
- self-starter and man manager with board-level negotiating experience and ability to set own goals.

Please write with full career details, indicating current salary, to David Wallder, Executive Search and Selection, Ref: 6236/DW/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

London (071) 730 9000 Birmingham (021) 454 5791 Bristol (0272) 294581

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ANALYST/TRAINEE PROPRIETARY TRADER

A small proprietary trading group recently established at a AAA bank is looking to recruit.

Initially, the position is for an analyst to undertake a wide variety of quantitative research projects, from which they will derive a training in analytical techniques used in proprietary trading. It is intended that the role will develop to include risk taking at a later stage.

Candidates with all of the following interests and qualifications will be considered:
- A 1st class or 2:1 quantitative degree.
- Strong statistical skills.
- Fluency in one other language
- 1-2 years work experience within a financial institution, with exposure to a number of capital market products.
- A strong interest in, and experience of computing, and related technologies.

Interested individuals with the relevant skills should contact either Alison Phillips or Rupert Harding-Batt enclosing a full Curriculum Vitae to the address below:

Michelangelo Associates, International Search and Selection, Austin Friars House 2-6 Austin Friars, London EC2N 2HE

Tel: 071 972 0150 Fax: 071 972 0151/2

Michelangelo

OPPORTUNITIES IN STOCKBROKING

Milan

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BANQUE PARIBAS

Banque Paribas is globally represented with 60 offices worldwide with a strong presence within Europe. In Italy, it has established itself as a major player in the international capital markets, through the recent acquisition of a leading Milan based stockbroker, Gamba Azzoni. This has given rise to two opportunities which are essential to the strategic development and growth of Paribas' activities in Italy. The positions can be summarised as follows:-

FUTURES SETTLEMENTS SPECIALIST

In preparation for the launch of a new futures market on the Italian Stock Exchange, in this new role you will be responsible for carrying out futures settlements and will provide regulatory information for that activity. Your remit will grow to embrace other equity derivatives. This position requires previous exposure to futures contracts and a minimum of three years experience gained within financial services, ideally stockbroking. The Group is especially focused on Italian equities, therefore knowledge in this area will be highly beneficial.

HEAD OF ACCOUNTING & REGULATORY REPORTING

A challenging and varied role with responsibility for statutory and financial accounting. You will manage a small team and will produce regulatory, management and financial reports for Directors in both Milan and London. Knowledge of Italian law and taxation is essential and this position will suit individuals possessing either the Economia e Commercio or Dottore Commercialista qualifications. Again experience of financial services is pre-requisite.

These represent unique opportunities to join one of the world's leading financial services institutions. Career prospects remain excellent. For both positions fluency in Italian and English is essential and candidates should demonstrate a proactive, self assured and professional approach.

*Interested applicants should contact our retained recruitment advisors, **Jonathan Astbury** or **Tony Marshall** on **071 629 4463** (evenings/weekends **071 702 9672**) or fax your resume to them on **071 491 4705**. Preliminary interviews will be conducted in London and Milan.*

HARRISON WILLIS

EUROPEAN EQUITIES RESEARCH EDITOR

Our client is a leading UK-based international investment bank with an excellent reputation for the quality of its research. The role of European Equities Research Editor is a high level position and an integral part of research management. The Editor works closely with analysts in London and on the continent and the sales teams worldwide to produce research material of the highest professional quality.

The successful candidate is likely to be a graduate with a degree in finance or economics, good English language skills and experience in financial publishing or investment. Computer literacy is essential, along with good organisational skills and the ability to communicate well with other members of the research team. Knowledge of another European language would be an advantage.

The bank offers a competitive salary and attractive package of fringe benefits.
Contact Tony Tucker in strict confidence

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With our own-brand insurance operation on schedule for launch in January, we are now completing senior appointments to Halifax Fund Management Limited - set up to invest the assets of our new and existing financial services business.

As Head of Fixed Interest, you'll enjoy a high-profile role in what promises to become a major financial-sector success story. Heading up a team of investment specialists, you'll manage all fixed interest and cash portfolios, co-ordinate bond market research and take full responsibility for risk analysis.

You'll also be a member of the high-level Investment Strategy/Asset Allocation team -the kind of decision-making involvement guaranteed to test your market expertise. Naturally, you'll need a proven record of success in the fixed interest sector - with at least 5 years' experience of insurance portfolio management and, possibly, an actuarial qualification.

In return, you can expect a highly attractive salary, plus performance-related pay, subsidised mortgage, bonus, car, private healthcare and, where necessary, assistance with relocation to Yorkshire.

To apply, please write with full career details quoting ref: 95A to Barkers Response & Assessment, 30 Farringdon Street, London EC4A 4EA.

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HALIFAX

SENIOR MANAGER - ENTERTAINMENT FINANCE

Guinness Mahon is a major player in certain niches of the media sector. We are currently looking to further strengthen a small and highly committed team with the addition of another first rate banker.

The successful candidate will report to the Director, Entertainment Finance and will be responsible for credit assessment, documentation, managing client relationships and assisting in business development.

We require an experienced banker aged 30-40 who has had formal credit training and several years experience of corporate/commercial banking. Strong analytical skills and a good knowledge of spreadsheets and databases are essential prerequisites. Previous experience of structured and project finance would be useful.

The company offers an attractive salary and banking benefits package.

If you feel that you match the criteria above, please send your CV (including current remuneration package) with a covering letter to:

Julie Allan.
Personnel Manager,
Guinness Mahon & Co Limited,
32 St Mary at Hill,
London EC3P 3AJ

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Young City based comp. requires 4 S.F.A. registered individuals to service our existing client base of private investors. Basic & commission package. If you are between 25-35 yrs have min 3 yrs exp. enjoy a hardworking environment call 071 403 3212 for more information.

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Uni. degree, fluent Engl., Fr. & Germ. some Dutch & Japanese. Great institutional contacts & City experience. Seeks new challenge in sales/trading or fund mgt. environment. SFA regist. & NASD/NYSE/CFTC rr (s.3 + s.7). Strong desire to profitably trade derivatives and/or forex for top (investment) bank. Luxembourg-based, relocation possible.

Serious enquiries only, please to: Box A5002, Financial Times, One Southwark Bridge, London SE1 9HL.

Emerging Markets
City Trading Company

THE COMPANY
- Recently formed, and already probably the leading player in the Brazilian bond market in London.
- Active in all aspects of Latin American debt, including new issues.
- Regulated by the SFA.

THE POSITION
- Eurobond trader in small market-making team.
- Trading Latin American debt, focussed on Brazil, with counterparties in Europe and New York.

THE PERSON
- At least one year's relevant knowledge of Latin American debt.
- Extensive contacts with counterparties in emerging markets trading operations.
- Ability to market debt products through own initiative in conjunction with our other offices.
- SFA Registered Representative.
- Team player in a small team.

THE BENEFITS
- Competitive salary.
- Performance related bonus.
- Non-contributory pension, Life Assurance, BUPA etc.

Please send full cv, including salary and benefits, to:

The Managing Director
Tradeway Securities Ltd
Cleary Court, 21-23 St Swithins Lane
London EC4N 8AD

Tradeway

Substantial expatriate package — *Jardine Fleming Unit Trusts* — *Hong Kong*

Marketing Director

Jardine Fleming is the leading merchant bank in Asia. Its unit trust subsidiary (JFUT) is one of the fastest growing mutual fund companies in the world with over $4 billion under management, 200 staff and plans for significant growth in the coming years. A first-class, fund management marketeer is now sought to take charge of all product development, launch and marketing communication, capitalising on an outstanding brand franchise. Unique opportunity to contribute to the success of this fast-growing business as a key member of the senior management team.

THE ROLE
- Responsible to the Hong Kong-based Chief Executive for developing and implementing an overall marketing strategy that supports the attainment of stretching business objectives.
- Interpreting market needs to fund managers, identifying opportunities and guiding the product development process through to successful launch and on-going marketing.
- Act as senior spokesman, positioning the firm with the investment community in co-ordination with other Jardine Fleming business divisions Key member of global management team with input on longer term strategy.

THE QUALIFICATIONS
- High calibre graduate, with between 3-7 years' successful track record of developing and marketing unit trusts in world-class institutions. Previous experience in the Far East and knowledge of either Mandarin or Cantonese a distinct advantage.
- Proven skills set in the process of developing mutual fund products, with in-depth understanding of market, legal and regulatory issues.
- An inspired and credible spokesperson, with excellent communication skills and the ability to build and develop a first-class team. A self-starter with flair and initiative.

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ACCOUNTANCY

Tidying up the US corporate landscape

Richard Waters reports on proposals to tighten restructuring and other *one-off charges*

The fashion among US companies for taking *big restructuring* charges may be drawing to an end.

In recent years, such one-off charges have become a familiar part of the corporate landscape as many of the country's biggest companies have *sought to* overhaul their operations to make themselves more competitive. Often, this work has been carried out under the broad-ranging (and *fashion*able) banners of "re-engineering" and "downsizing".

Tighter accounting regulations are about to make the process less attractive. Last week, the Financial Accounting Standards Board's emerging issues taskforce agreed on a stricter set of rules to govern this area of financial reporting – though *they do not go far enough*, according to the securities regulators.

The problem until now has been a lack of definition. What future costs should a company recognise in its current accounting period? Being by definition a prudent breed, many accountants like companies' accounts to reflect certain future liabilities, otherwise their current earnings would not reflect the reality of their business.

However, drawing the net too widely allows companies to bundle up costs that should properly be charged against future earnings. That leads to bigger up-front charges and flatters future profits. (Perhaps for that reason, it is not uncommon to see the biggest charges being taken by companies that have recently had a change of management at the top.)

The FASB has edged its way *towards an answer piece by piece*. In May this year, it came up with an answer to how the costs of planned redundancies should be handled. Last week, it reached a consensus on the more thorny subject of other, non-redundancy costs associated with restructurings. And early next year the board will conclude its thinking on a related area: the write-down in *the value of assets*, which often occurs in connection with a corporate restructuring.

The title of its paper on the first two aspects of this work, due to be published on 6 December, *gives a fair* idea of how the emerging issues taskforce's thinking has developed. It is called, rather long-windedly: "Liability recognition for costs to exit an activity (including certain costs incurred in a restructuring)".

As this makes clear, taking a one-off charge in future will be limited largely to where companies are shedding businesses. Only those costs "not associated with, or [which] do not benefit, activities that are continued" will count.

At one sweep, this appears to wipe out many of the opportunities for taking restructuring charges that companies have used this year. Among the clearest examples (and ones highlighted in this column in March) were the series of restructuring charges taken by US *regional telephone* companies last winter. Nynex, for instance, said a $400m charge it took included "retraining employees, relocation expenses [and] systems re-engineering". BellSouth, which took a $1.2bn charge, said $550m of the cost *was related to* "implementing new, state-of-the-art systems".

Clearly, these items would not meet the new taskforce rules. There are many other examples around. In a speech earlier this month, Mr Walter Schuetze, chief accountant at the Securities and Exchange Commission, said a review by his agency had turned up "restructuring" charges *that included*: "future expenditures for equipment such as computers, software for those computers or computers already on hand, relocating and retraining employees, advertising and legal services, consulting services, expected adverse factory overhead variances on future production runs, expected increases in returns and allowances on future sales, increased warranty *liabilities* on future product sales, and the like".

The new *emerging issues task*force regulations lay down a tighter set of rules for the circumstances in which charges can be taken, and the types of cost that can be included.

Those one-off charges that still qualify can only be taken after a company has committed itself to a restructuring plan (which normally means getting *board-level approval*). Also, the plan cannot simply be a vague expression of a future intention: *according to the FASB*, companies will have to have identified the method by which they are going to dispose of the businesses concerned, as well as the expected date they will complete the exercise. The expected completion of the plan has to be soon enough for it to be unlikely that a company's management will change its mind about the idea.

Also, restructuring costs can only be taken if they meet one of two tests: they must either be extra costs that a company faces as a result of the restructuring plan, or contractual costs that it cannot get out of (an example of the latter would be the cost *of terminating a lease* on property which is no longer needed in the business).

There are those who think the rule-makers have not gone far enough – among them Mr Schuetze at the SEC. Speaking earlier this week, he said: "In my opinion, they have allowed for the recognition of liabilities that do not meet the FASB's definition of a liability, and which are more in the manner of contingencies."

Liabilities should only be recognised *when there is some contractual* or legal obligation to make a payment, he says. "Obligations do not arise because a board of directors decides something."

Mr Schuetze concedes, though, that the FASB has at least reduced the scope for abuse. Before the accounting regulators began their work early this year, "the ingredients and amounts *included* in restructuring charges ran from A to Z". Now, he says, "they're reining it in: it runs from *A to G, or maybe A to I*".

Whether the SEC will be satisfied with this, or whether it will push the matter further, remains to be seen. At this stage, Mr Schuetze refuses to be drawn on the question.

In theory, some big restructuring charges already taken – including those reported by Nynex and BellSouth – could be open to challenge by the agency.

The new taskforce regulations, though they come into force before the end of this year, are not retrospective. That means they apply to charges taken during the final quarter of the year, but not those reported in earlier *accounting periods. However*, the SEC has the power to force companies to restate figures included in earlier regulatory filings. It is a power the agency is most likely to use when vetting prospectuses issued by companies in connection with the sale of new securities.

In the meantime, the emerging issues taskforce is getting ready to issue its thoughts on *asset* write-downs. Here, again, there is a temptation for companies to take big one-off *charges to reduce future amortisation* charges to earnings, whether from tangible assets or intangibles like goodwill.

The taskforce's approach is based on the use of discounted cashflow analyses: when the book values of assets, or groups of assets, are higher than the present values of the future cashflows the assets are expected to generate, they should be written down.

This, at least, is one area where the *SEC is likely to go along* with the FASB. Unlike an expected restructuring cost, an asset represents "a prior expenditure, not a *future* expenditure", says Mr Schuetze. "That is a vital distinction."

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Responsibility is for all head office accounting including *statutory reporting, consolidations, monthly management* accounting, preparing budgets and plans and undertaking varied ad hoc assignments for the Group Finance Director. *Emphasis is on ensuring tight control and that effective financial* systems are in place.

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If you feel you could respond to the above challenge you should write to Karen Wilson at Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, Berks SL4 1QP, enclosing a recent CV and a note of current salary.

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Interested applicants should write in confidence to **Andrew Livesey**, quoting reference number 2101 at Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS. Alternatively fax your details on **071 404 8128** or telephone **071 404 5501** for an initial discussion. Our client is an equal opportunities employer.

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Interested applicants should forward a comprehensive CV and salary expectation, quoting ref: TM10869, to Thierry Montécatine, Michael Page, 3 boulevard Bineau, 92300 Levallois-Perret, Cedex, Paris, France.

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- The Middle East
- Australia (Sydney, Melbourne)
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- North America (Houston, Atlanta)

You will need:

- 4-8 years' business experience in public accounting or commerce (finance, manufacturing or marketing)
- Fluency in English and at least one other language
- Strong technical, analytical and organisational skills
- Previous leadership and team building experience and the ability to coach and train staff
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If you can meet the requirements of this challenging role, please telephone or write to Jeremy Williams, quoting reference JW/CC.

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EXECUTIVE SEARCH & SELECTION

COMMODITIES AND AGRICULTURE

Steichen backs 'mini-CAP' for eastern Europe

By Deborah Hargreaves

Mr Rene Steichen, the European Union's agriculture commissioner, set the scene yesterday for a heated debate on the future of the common agricultural policy when he endorsed a "mini-CAP" to help eastern European farm industries.

He told a conference that he favoured extending some farm price support mechanisms to countries in eastern Europe to revive their agricultural sectors and enable them to join the EU.

But Mr William Waldegrave, UK agriculture minister, said that such a plan "would be flying in the face of reality". He said it would be unwise to encourage eastern European countries to take decisions based on the fact that the EU's pricing policy would eventually be extended to them.

Mr Steichen said that by fixing price supports at fairly low levels, a so-called "mini-CAP" for eastern Europe could be accommodated within the EU's current farm budget guidelines. This could involve fixing support prices at $5 a tonne above world rates – lower than EU internal prices.

Speaking at a conference organised by Reading University's Centre for Agricultural Strategy, Mr Steichen said that price supports would allow farm industries in eastern Europe to converge with those in the EU over the next 10 years.

"Without a certain price stabilisation, there is no certainty that it would be possible to create a stable environment allowing farmers to plan for the long term or to encourage them to invest and produce for the market," he said.

Mr Steichen does not believe the EU will ever find the political will to abandon the CAP in order to enlarge to the east. But he suggested that there could be a progressive lowering of internal EU price support over the next decade as EU farms become more efficient and increase in size. This would allow convergence between east and west within the framework of the CAP.

However, his suggestions are unlikely to satisfy some of the CAP's harsher critics. Even within the commission there are differing views over the evolution of agricultural policy in a larger union.

Mr Waldegrave called for a "root and branch" reform of the CAP to make it possible to extend a slimmer version of the current policy to eastern Europe.

"We need to establish the right framework for a CAP which would be appropriate to the needs of an enlarged EU. The pressures are compelling. And the *status quo* is not an option," he said.

Mr Steichen said that a "mini CAP" for eastern Europe would not cost much more than Ecu700m. This could be funded by the existing Phare programme, which channels around Ecu200m a year in aid programmes to eastern Europe. It could also be met from money saved on the current Ecu36bn farm budget, which Mr Steichen said will be underspent by around Ecu3.6bn this year.

"If we pay for the whole plan, the EU would have to increase its aid, but I can imagine a joint venture with these countries with a lowering of our support and a raising of theirs," he said.

He implied that cost objections were short-sighted: "If we want to have peace in the East, it has to cost us something". Mr Waldegrave agreed that if price support for eastern Europe could be met without additional spending, it might be possible to agree it, but he said it would be extremely difficult to justify any increase in spending in coming years.

Mr Waldegrave said there would be extreme pressures for reforming the CAP again over the next five to 10 years. "It is likely the current MacSharry reforms won't automatically run into the buffers in the next 18 months." But he said mighty pressures for reform would be building in 1996.

Mr Steichen also wants the EU to advise eastern European countries on setting up land banks in order to establish a proper market for farmland as a way of modernising their agriculture industries.

De Beers and Namibia reach accord on diamond operations

By Roger Murray in London and Mark Suzman in Johannesburg

Russia continued to "undermine the delicate equilibrium and confidence necessary for the diamond industry," said Mr Julian Ogilvie Thompson, De Beers' chairman, last night. "Competing interests [in Russia] have not adhered to the necessary disciplines and have been leaking diamonds on to the open market in contravention of the contracts with the Central Selling Organisation," he complained. This placed Russia "in the role of competitor with the other diamond producers". But De Beers had dealt with similar problems in the past 60 years "and on each occasion the CSO and the industry have emerged stronger than before".

De Beers, the South African group that dominates the world diamond business, yesterday secured its position in Namibia for the next 25 years – or until the diamonds run out – by effectively handing over to the government there 50 per cent of its subsidiary, CDM.

The company will be reconstituted as Namdeb Diamond Corporation in which De Beers and the Namibian government will each own 50 per cent. The government will not be putting any capital into the new organisation.

Mr Sam Nujoma, Namibia's president, said yesterday that his country would, via tax and dividends, collect additional revenue from the country's diamond operations. For the present financial year Namibia has budgeted to collect US$56m in taxes and duties from these operations, based on depressed 1993 earnings.

Nevertheless, the signs are that De Beers is pleased with the deal, completed after two years of tough negotiations and similar to its arrangement with the Botswana government.

The accord signed in Windhoek gives De Beers:

● The assurance that it will be able to continue to exploit its existing on and off-shore assets in the country and that its renewable prospecting licences will protected;

● A guarantee that all of Namdeb's output will be marketed through De Beers' London-based Central Selling Organisation, which controls 80 per cent of world trade in rough (uncut) diamonds;

● Retained control of De Beers Marine, the company that provides the technology and equipment for off-shore diamond mining. Debmarine, which last year, in terms of carats, accounted for about one quarter of the diamonds CDM produced, will have only a contractual relationship with Namdeb.

Also, CDM's part-interest in the Navachab gold mine, near Karibib, will be retained by De Beers under the accord.

Revenues from diamonds account for 11 per cent of Namibia's gross domestic product and 34 per cent of its export earnings.

Mr Nujoma said yesterday: "No longer will Namibia's diamond industry lurk in the darkness of suspicion and strike; we are now forging an equal partnership subject to the disciplines of both public scrutiny and the private market."

CDM, which moves huge tonnages of beach sands to find most of its diamonds, is by no means De Beers' largest producer. Its output, down from 1.5m carats in 1992 to 1.1m last year, is overshadowed by Botswana's 14.7m carats, down from nearly 16m.

European potato prices double as production falls to five-year low

By Deborah Hargreaves

European potato prices have doubled in recent months as production has fallen to its lowest level for five years, according to a survey by the UK's Potato Marketing Board. Output for 1994 is forecast to be 5m tonnes lower than last year at 42.3m tonnes following dry weather in the summer growing season.

The drop in production and poor quality of part of the crop has taken prices in the Netherlands to the equivalent of £185 to £192 a tonne for processing quality potatoes – up from £55 a tonne last year.

The board's provisional figures show that all European Union countries have seen a drop in production except for Ireland, Spain and Greece. The dry weather also affected quality of 40 per cent of the crop in the Netherlands, Belgium and parts of France.

Quality problems could lead to an even greater reduction in the crop as potatoes fail to meet storage standards. Potato traders estimate that some 5m tubers could fail quality tests.

In France, prices have doubled to £118 a tonne from the same period last year and in the UK the average price has increased to £146 a tonne from £69 a tonne in November 1993.

"Consumers are likely to see some increase in price, but we don't know how much of these rises will be passed on and potato consumption is not usually affected by higher prices as they are regarded as staples," said Ms Diana Rees at the PMB.

Potato futures prices have soared indicating traders' expectation that wholesale prices will increase further. Futures prices in the Netherlands are showing a price of £320 a tonne for April delivery.

Britain's crop has not been so badly hard with output falling from 12.8m tonnes last year to 9.3m tonnes.

Australia's biggest LNG project overcomes setbacks

The North West Shelf plant's major expansion is close after a year of delays, writes David Lascelles

The flies and the gales have descended on this remote coastal settlement in the Australian north west as spring turns to summer.

The landscape is hard and parched: ridges of shattered red granite with the occasional gum tree and kangaroo are the only sights provided by nature. But amid the desolation stands a giant stack of shining tubes topped by bright orange flares: the North West Shelf liquefied natural gas plant.

Just five years old, the site is the largest resource project of its kind in Australia, with investment of over $A10bn (£4.85bn), and it is about to undergo further expansion after a year of frustrating delays.

The 6m tonne-a-year plant was built in 1989 to service the gas fields which had earlier been found 125km offshore. Up till now, only one field, North Rankin, has been operational, producing over 40m cubic metres a day. Part of the gas is piped to Perth and other domestic customers. But most of it is liquefied for export, mainly to Japanese electric utilities.

The plant was expanded from two trains to three in 1992, and over the past year or so, the bottlenecks in the production lines have been relieved. Output is now up to 7m tonnes, and will eventually reach 7.5m when the overhaul is complete. An eighth LNG carrier is being added to the fleet of seven which ply the 10-day route up to Japan.

However, next January will see the completion of the major engineering feat that lies behind the plant's next stage of growth: the start-up of production from the Goodwyn field to the west of Rankin.

Goodwyn was supposed to start last year. But it was found that the piling tubes which had been driven deep into the ocean floor to support the platform had buckled, preventing the piles themselves being inserted into 11 of the 16 points that had been prepared. Special jacks had to be designed and forced through the 4ft diameter tubes to straighten them. The work was enormously expensive and time-consuming, but it was successful. The piles were completed and the platform put in place. Most of the repair cost of $A330m was recovered from insurance.

Engineers now expect Goodwyn to start in January. It has the capacity to produce 25m cu m of gas a day. But just as valuable is the 60,000 barrels of condensate which it is expected to produce as well.

The NWS LNG project is a complex joint venture shared equally between six companies: Woodside, Shell, BHP, Chevron, BP and and a company jointly owned by Mitsubishi and Mitsui. Since Shell also owns one third of Woodside it is effectively the first among equals in the partnership.

The confidence with which the owners are expanding the operation is based on forecasts of steadily rising demand in the Pacific area. But though the Japanese utilities have been willing to take delivery of additional cargoes of LNG (especially last summer when exceptional heat boosted demand for air conditioning) they are not able to absorb all the output. The challenge for the plant, therefore, is to find additional buyers for the surplus.

So far, one cargo has gone to Korea, and several more to Spain. Woodside predicts that demand for LNG in the Pacific area will double from about 50m tonnes a year to around 100m tonnes by early next century. However, there is a growing number of suppliers in the region, including Malaysia, Brunei and Indonesia where Bontang, the world's largest LNG plant, is about to undergo expansion as well.

A further difficulty is that the Karratha plant was originally designed with $25-a-barrel oil in view. The fact that the price is now languishing several dollars below that is putting pressure on the plant's margins, and delicate negotiations are currently proceeding with the Japanese to renegotiate the selling price.

According to Mr Cyril Huijsmans, the plant manager, the company is trying to squeeze $100m a year in costs out of the operation in order to ease the pressure on margins. The tightness of the margins also means that the plant cannot afford to miss a single shipment, each of which is worth $10m. So far the regular three-day loading schedule has not been missed.

There is a degree of caution, therefore, over talk of adding capacity to the Karratha plant – the site was designed to accommodate two further trains. Enlarged capacity would require a second pipeline in from the gasfields and other expensive infrastructure, which would boost the total cost close to $A18bn, according to Mr Bill Brehaut, the technical manager.

The project would also have to firm up more reserves, though with an active exploration programme afoot and some promising finds already noted, that may already be happening.

Caribbeans defend EU banana regime against US criticism

By Canute James in Kingston, Jamaica

Caribbean banana producers have told the US trade representative that there is no merit in claims from US producers that the European Union's banana import regime discriminates against US companies and represents unfair trade practices.

Responding to charges from Chiquita Brands International, which produces banana in Latin America, and the Hawaiian Banana Industry Association, the Caribbean producers said that, contrary to the claims, shipments by Latin American countries and US companies in that region had been increasing.

The charge of discrimination was filed under Section 301 of the US trade act, and was supported by claims that the EU's import regime, implemented in July 1993, discriminated against fruit from Latin America.

The import regime gives special access to exporters in the African, Caribbean and Pacific group, comprising about 70 former European colonies, which has a trade treaty with the EU.

"The message we are sending to the US trade representative in reply to its request for a response to the charges, is that there is no merit in the claims made by the US-owned banana companies," said Mr Owen Arthur, prime minister of Barbados, and chairman of the Caribbean Community (Caricom).

In what officials described as a "detailed" reply to the request of the US Trade Representative, Caricom dismissed the claims of the Hawaiian Banana Industry Association, saying the Hawaiians did not produce enough bananas to satisfy their own market, and did not export any fruit.

The community said also that Chiquita Brands and other producers in Latin America had been enjoying growth in the volume of their exports over the past two years, and were unaffected by the EU regime. "We have only to look at the situation in Ecuador, which will this year export over 3m tonnes of bananas - a record for this country," said a St Lucian government official.

The intervention of the US trade representative in the banana dispute follows months of almost unrelenting attacks on the EU regime by several Latin American governments and by Germany. Caribbean banana exporters claim that a loss of preferences will destroy many island economies, mainly those in the four Windward islands – Dominica, Grenada, St Lucia and St Vincent.

"The Caribbean producers supply 5 per cent of the world banana market and for this the US government risks destroying the democracies of small Caribbean states," said Mr Edwin Carrington, secretary general of Caricom. Chiquita's sales in 1992 were two and a half times the cumulative gross domestic product of the four Windward Islands, reported another Caricom official.

UK tin mine seeks cash

By Kenneth Gooding, Mining Correspondent

The new owners of South Crofty, the UK's last operating tin mine, are seeking between £2m and £3m from investors to increase output from just over 2,000 tonnes this year to 2,900 tonnes by the year 2000.

The mine has been starved of cash because of the depressed tin price, according to Mr David Williamson, whose consultancy is arranging the financing. "Both the shaft system and the mine concentrator are capable of handling up to 40 per cent more throughput if underground development can be accelerated," he suggests.

In August South Crofty raised about £1.3m from 1,700 investors after the UK government and RTZ, the world's biggest mining company, said they would agree to waive loans totalling £30m if the company could raise a minimum of £1m to keep itself going.

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1942-3	1948-9
Previous	1962-3	1967-8
High/low	1956	1960.5/1939
AM Official	1955-6	1959.5-60
Kerb close		1937-8
Open int.	256,920	
Total daily turnover	64,207	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1865-70	1897-9
Previous	1870-80	1900-05
High/low		1910/1895
AM Official	1860-5	1898-900
Kerb close		1890-900
Open int.	2,989	
Total daily turnover	787	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	672.5-3.5	690-91
Previous	667.5-8.5	685.5-6.0
High/low		691/685
AM Official	671-2	688-9
Kerb close		691-2
Open int.	44,317	
Total daily turnover	5,985	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7615-25	7740-45
Previous	7575-85	7700-05
High/low		7760/7680
AM Official	7615-25	7730-40
Kerb close		7755-60
Open int.	66,765	
Total daily turnover	14,297	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6130-40	6210-20
Previous	6130-40	6220-25
High/low		6240/6210
AM Official	6135-45	6220-25
Kerb close		6210-30
Open int.	23,360	
Total daily turnover	2,575	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1155-6	1181-2
Previous	1143-4	1170.5-1.0
High/low	1153	1184/1167
AM Official	1152-3	1177-7.5
Kerb close		1179-80
Open int.	111,411	
Total daily turnover	16,745	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2856-8	2825-6
Previous	2802-4	2780-2
High/low	2854/2850	2838/2775
AM Official	2853-4	2817-18
Kerb close		2827-28
Open int.	236,769	
Total daily turnover	54,297	

Base metals continued

■ LME AM Official £/$ rate: 1.5625
LME Closing £/$ rate: 1.5625

Spot: 1.5615 3 mths: 1.5618 6 mths: 1.5606 9 mths: 1.5597

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.30-384.70	
Opening	384.60-385.00	
Morning fix	384.40	246.047
Afternoon fix	384.30	245.983
Day's High	384.80-385.20	
Day's Low	384.10-384.50	
Previous close	384.80-385.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.98	6 months	5.44
2 months	5.09	12 months	5.92
3 months	5.16		

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.70	515.00
3 months	334.55	522.55
6 months	339.90	530.55
1 year	352.55	549.45

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	246-250
Maple Leaf	395.05-397.50	-
New Sovereign	90-93	58-61

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	17.15	+0.01	17.16	17.01	93,459	11,381
Feb	16.98	-0.01	16.99	16.86	39,609	2,285
Mar	16.89	+0.04	16.86	15.72	16,561	1,693
Apr	16.78	-	16.78	16.65	6,765	331
May	16.77	+0.12	16.75	16.67	4,135	813
Jun	16.72	+0.04	-	-	6,276	-
Total					174,832	16,464

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	152.25	+0.75	152.25	151.25	34,040	3,114
Jan	154.75	+0.50	154.75	153.75	25,447	2,670
Feb	156.25	+0.50	156.50	155.50	16,761	883
Mar	156.75	+0.50	156.75	156.00	10,461	417
Apr	155.00	+0.25	155.00	155.00	3,478	9
May	154.50	+0.50	154.50	154.50	839	5
Total					98,840	7,309

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.50	-0.50	105.75	105.50	1,869	15
Mar	107.45	-0.50	107.80	107.50	1,551	101
May	109.45	-0.55	109.85	109.40	1,699	36
Jul	111.20	-0.50	-	-	130	-
Sep	95.15	+0.95	-	-	84	-
Nov	96.40	-	96.50	96.30	156	-
Total					6,173	316

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	102.75	-0.35	103.00	102.75	473	23
Mar	104.75	-0.50	105.00	104.75	139	11
May	106.95	-0.45	-	-	44	-
Sep	93.25	-0.25	-	-	30	-
Nov	94.75	-8.35	-	-	81	-
Total					767	34

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	271.5	-	-	-	-	-
Apr	276.5	+6.0	280.0	274.0	1,176	184
May	283.0	+5.5	282.0	282.0	1	1
Jun	250.0	-	-	-	-	-
Total					1,177	185

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1906	+17	-	-	240	-
Dec	1925	+13	1940	1915	378	18
Jan	1829	+18	1830	1820	1,132	97
Apr	1733	+14	1735	1725	1,069	62
Jul	1510	+13	1510	1510	148	2
Oct	1633	+15	-	-	17	-
Total					2,987	199

	Close	Prev
BFI	1895	1884

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	968	-8	970	965	16,327	1,132
Mar	985	-6	985	980	42,168	1,421
May	991	-4	993	987	16,015	122
Jul	1000	-5	998	998	6,843	20
Sep	1008	-4	1009	1008	12,969	23
Dec	1022	-4	1023	1023	10,216	70
Total					112,445	2,922

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	2945	+95	2944	2918	157	47
Jan	2989	+118	2990	2940	10,924	1,131
Mar	2948	+95	2961	2920	9,287	1,313
May	2924	+91	2935	2905	4,339	464
Jul	2906	+83	2915	2896	1,405	219
Sep	2890	+110	2905	2890	2,336	175
Total					28,707	3,349

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	14.70	-	-	-	90	-
May	14.79	-	-	-	860	-
Jul	14.54	-	-	-	450	-
Total					1,400	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	407.80	+4.50	408.50	404.50	11,056	682
May	402.50	+4.70	403.30	400.00	4,502	224
Aug	392.50	+4.40	393.00	389.00	3,266	140
Oct	362.50	+4.20	363.00	359.00	1,575	83
Dec	360.50	+4.20	-	-	100	-
Mar	360.00	+4.00	-	-	199	-
Total					20,748	1,129

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1900	116	142	74	116
1950	91	119	98	142
2000	71	99	127	170
■ COPPER (Grade A) LME	Feb	May	Feb	May
2750	158	118	70	159
2800	130	98	91	188
2850	105	82	116	219
■ COFFEE LCE	Jan	Mar	Jan	Mar
3000	139	207	160	259
3050	119	189	150	291
3100	101	173	212	325
■ COCOA LCE	Dec	Mar	Dec	Mar
950	6	64	3	29
975	-	50	22	40
1000	118	39	93	54
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	-	-	7	50
1650	-	-	19	-
1700	-	-	27	-

Wool

Prices at auctions this week were generally firm, and wool was in sufficiently good demand for clearances to the trade to be good. There was no clear rise in the market, however, and without this incentive business is very quiet. The usual pattern is of better business in November, but this month has been quiet throughout Europe. Order books were filled quite far ahead two or three months ago, also unusually timed, so there is no special anxiety about activity at present.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$16.00-6.05z	+0.12
Brent Blend (dated)	$16.99-7.01	+0.13
Brent Blend (Jan)	$17.14-7.16	+0.13
W.T.I. (1pm est)	-	-

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	-1
Gas Oil	$153-155	+1
Heavy Fuel Oil	$102-103	-1
Naphtha	$178-182	
Jet fuel	$172-175	+1
Diesel	$159-161	+1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$384.50	-0.60
Silver (per troy oz)♣	516.5c	-1.0
Platinum (per troy oz.)	$410.50	+0.15
Palladium (per troy oz.)	$153.75	-1.25
Copper (US prod.)	136.0c	-3.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.49r	-0.20
Tin (New York)	286.5c	-6.0
Cattle (live weight)†	118.00p	+0.47*
Sheep (live weight)†♠	105.88p	+1.31*
Pigs (live weight)	78.36p	+0.56*
Lon. day sugar (raw)	$355.7	+4.4
Lon. day sugar (wte)	$415.0	+3.0
Tate & Lyle export	£342.0	+6.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0v	
Wheat (US Dark North)	£165.0v	
Rubber (Dec)♥	89.25p	+1.25
Rubber (Jan)♥	89.25p	+1.50
Rubber (KL RSS No1 Jul)	346.0m	+1.0
Coconut Oil (Phil)§	$710.0q	-5.0
Palm Oil (Malay.)§	$720.0u	
Copra (Phil)§	$454.0q	+10.0
Soyabeans (US)	£167.0	+2.0
Cotton Outlook'A' index	78.00c	+0.60
Wooltops (64s Super)	460p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊙ Prices are for previous day.

INDICES

■ REUTERS (Base: 18/9/31=100)

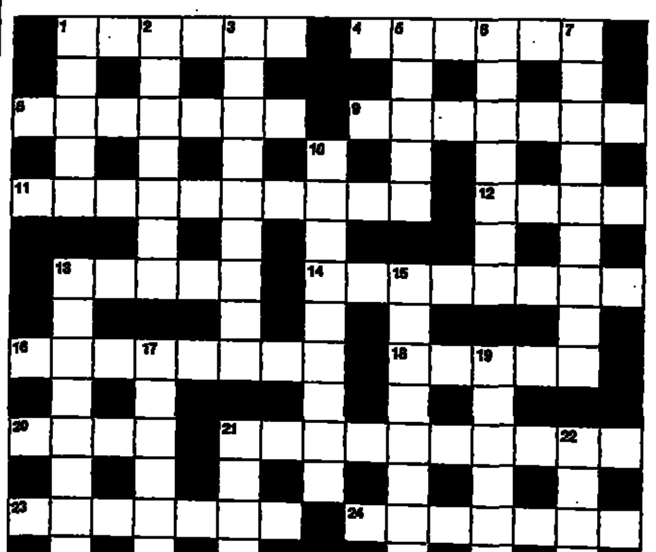
Nov 24	Nov 23	month ago	year ago
2138.3	2128.8	2104.7	1627.0

■ CRB Futures (Base: 1967=100)

Nov 23	Nov 22	month ago	year ago
230.93	231.15	233.90	222.53

CROSSWORD

No.8,620 Set by GRIFFIN



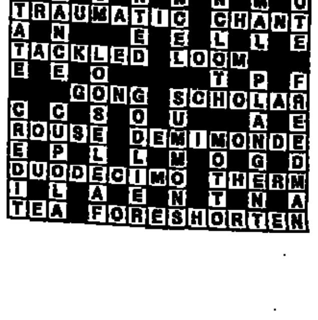
ACROSS

1 Fool one with a straw? (6)
4 Bills I have with a shrub (6)
8 Caught one in shadow here (7)
9 Fool left a tunic to be repaired (7)
11 Fool from northern school loves having a bite outside (10)
12 Fool student, having nothing working (4)
13 Pleasant street, tiny houses (5)
14 Credit ruined once record in it's antiquated (8)
16 After one pm reversing it's rarely lawful, understood? (8)
18 Shabby Scottish banker races in (5)
20 Fool with many to share (4)
21 Lout left party, going back in helicopter (10)
23 It's not a new post (7)
24 Companion in straw hat, not a bad repairer (7)
25 A little number to croon when snooping (6)
26 Stands around incredible vessel (6)

DOWN

1 Person from Riyadh in Pavarotti's audience? (5)
2 Where nurse treats offspring with spreading lice? (7)
3 Mysterious and strange it came in around midnight (9)
5 Fool close friend with very little money (5)
6 Fool cleaner with story (7)
7 Amity is no different from hostility! (9)
10 Loathsome people very likely started on fungus (9)
13 Fool unaffected by weight (9)
15 That court order is cruel (9)
17 Stories about child's understatement (7)
19 Local pilot worried about accountant (7)
21 Fool in empty canteen is dejected (5)
22 Quits flat and is not the first person to (5)

Solution 8,619



LONDON STOCK EXCHANGE

MARKET REPORT

Share prices rally in subdued trading session

By Steve Thompson

The big sell-off in the UK equity market was halted yesterday *after* Wall Street's late recovery overnight. But a promising rally in London was showing ominous signs of running out of steam as the day wore on.

Dragging on sentiment was an underlying worry about Wall Street and the chances of renewed weakness there, plus nagging concerns about Monday's *EU vote* in the House of Commons which has been turned into a government resignation question by the prime minister.

The FT-SE 100 Index, which had *fallen 103.5 since* the start of the week, moved ahead early in the session before slipping back to close a net 9.1 up at 3,036.6. The second liners, on the other hand, continued to suffer, with the FT-SE Mid 250 index finally 7.6 lower at 3,481.2, extending the fall over the past four *sessions to 94.4*, or 2.6 per cent.

The absence of any US influences – the US was closed for the Thanksgiving Day holiday – was welcomed by traders throughout Europe, who said markets needed time to assess the big shift in market sentiment following this week's steep slide on Wall Street.

There were renewed worries in the City with the not unexpected news that the Office of Fair Trading decided that Stock Exchange rules allowing marketmakers to delay the reporting of above-average sized trades for 90 minutes, and in some cases for up to five trading days, *"restricted or distorted competition* to a significant extent".

"The OFT report spells trouble for the existing system," said one dealer. "The process of change in the way we deal does seem to be *speeding up*," he added.

Wall Street's recovery from an early 37-point decline to close only three points off, and the continued strength of treasury bonds, promoted an early mark-up for leading UK stocks. The FT-SE 100 opened some 10 points higher and gradually improved to a day's peak of 3,044.7, up 17.2, in mid-morning.

Although there was no real selling pressure in London, buying *interest simply faded away, with* most marketmakers happy to close their books early.

Turnover was a subdued 576.9m shares, with non-Footsie stocks *providing around 57 per cent of the* total. Customer business on Wednesday, when the market was in freefall, was revealed as reaching £1.5bn.

Marketmakers remained extremely cautious about short-term trends in the market, with some expressing increasing concern that the recent pressures on Wall Street, stemming from worries about the impact of recent US interest rate increases on corporate *profits*, could rebuild when US markets reopen today, albeit for a truncated session.

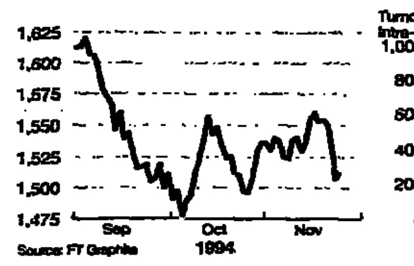
"If Wall Street begins to wilt, then we are in trouble again," said *a senior trader in London*. "The feeling is that we will be testing 3,000 on the FT-SE 100 and possibly 2,980 in short order."

Electricity and water stocks *caught the eye as the Labour party* threatened windfall profits taxation in its Opposition Budget; and there was a hint that the chancellor may have prepared a lesser version of the same for Tuesday's Budget.

The day's big company news items failed to trigger much enthusiasm. Allied Domecq was a sharp faller after releasing slightly disappointing interims, as was Storehousem where the performance of the Mothercare division was said to have disappointed analysts.

Preliminary results from the hugely successly Direct Line telephone insurance company were more than doubled, but they disap*pointed some of the market's super-*optimists. Consequently, Royal Bank of Scotland, Direct Line's parent, attracted keen selling ahead of its preliminary figures scheduled *for Thursday; dealers still expect a* near 20 per cent increase in the bank's dividend.

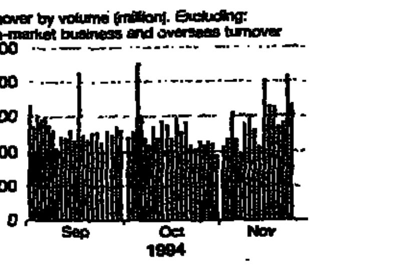
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3036.6	+9.1	FT Ordinary Index	2326.9	+3.1
FT-SE Mid 250	3481.2	-7.6	FT-SE-A Non Fins p/e	18.26	(18.30)
FT-SE-A 350	1524.0	+2.8	FT-SE 100 Fut Dec	3034.0	+10.0
FT-SE-A All-Share	1510.28	+2.60	10 yr Gilt yield	8.48	(8.50)
FT-SE-A All-Share yield	4.04	(4.04)	Long gilt/equity yld ratio:	2.13	(2.13)

Best performing sectors		Worst performing sectors	
1 Health Care	+0.9	1 *Electricity*	-2.0
2 Banks	+0.9	2 Water	-1.7
3 Oil, Integrated	+0.9	3 Spirits, Wines & Cider	-0.8
4 Telecommunications	+0.8	4 Breweries	-0.7
5 Transport	+0.7	5 Retailers, General	-0.5

Budget fears hit utilities

Shares in the regional electricity companies (recs) fell sharply after the Labour party's shadow chancellor reiterated plans for a tax on windfall *gains arising from the sale of* the National Grid.

Sentiment was further hit by speculation that the government might actually introduce a watered down version of the tax in the Budget, although political jitters ahead of next Monday's crucial vote in the House of Commons on UK contributions to the EU budget were said to have been a more important factor.

However, strategists also *pointed out that part of the* slide could be attributed to profit-taking after the recent strong performance of the sector. One trader simply said he was "squaring the books" in calling the sector lower.

The day's main casualties included **East Midlands**, down 27 at 734p, **Midlands**, which also lost 27, at 740p, **South Wales**, 34 lighter at 760p, **Southern**, 21 off at 765p, and **South West**, which surrendered 31 at 732p.

Mr Doug Falconer at Yamaichi *said that as a result of* the statement from Labour "it is extremely likely electricity companies will feel under pressure to announce special dividends sooner *rather* than later". He remains positive on the sector, with Southern among his favoured stocks.

RBoS concern

Perception that the insurance arm of **Royal Bank of Scotland** was not a one-way bet sent a shiver through the Scottish clearer's shares ahead of the bank's preliminary figures, expected next Thursday.

However, some analysts claimed that their rivals had *"over-egged" their expectations* for Direct Line's growth prospects, and the sell-off in RBoS, which fell 17½ to 425p, was merely the reflection of a *return to reality*. The insurance team at Smith New Court said that although Direct Line was still a "high growth company that benefits from higher margins than anyone else", banking specialists might not have appreciated that the pressures on private car and household insurance were not going to go away.

NatWest Securities cut its forecast for the year to September 1995 by £20m to £140m and S.G. Warburg was said to be arguing that the company *would stop growing by 1996.*

Nevertheless, broker Credit Lyonnais Laing is confident that the Scottish clearer will achieve profits of £551m and a dividend of 13.5p – top of the range estimates – and was using yesterday's weakness as a buying opportunity. The two-way pull on the stock prompted exceptionally high turnover of 7.6m shares

B&B activity

Turnover in London was inflated late in the day by a spate of very large deals believed to represent tax-related activity ahead of the Budget. Transport group NFC gained a penny at 172p in turnover of 22m. Volume in Reuters was boosted by a block of 8.9m shares placed at 470p one minute before the close of trading. The underlying shares closed 3 up at 470p.

Tightly traded *Smith &* Nephew rose 4 to 151p, one of the best Footsie performances. Shortly before the close, large blocks of shares were placed, sending turnover to 6.7m.

Engineering shares had a *mostly negative day, overshad*owed by profit-taking and mixed results. Precious metals group **Johnson Matthey** was a clear victim of the former, closing 7 lower at 550p, having jumped to 561p immediately *after strong interims.*

The results were ahead of analysts' expectations and so was the 4.2p interim dividend.

BZW upgraded its full-year profits estimate, adding an extra £5m at £95m, where the propective p/e of 16.5 is what the investment bankers feel is a "fully justified" 20 per cent *premium to the market.*

Energy engineer Babcock International, which has been bumping along within a whisker of its low for the year all this week, barely blinked when the interim results weighed in woefully short of brokers' estimates, closing marginally easier at 26½p in turnover of less than 1m shares.

Analysts have been progressively lowering their sights on Babcock's earnings since late summer and they were again hard at it yesterday. BZW reduced its full-year estimate from £19m to £13m – a figure *which compares starkly with* the £56m Babcock notched up in 1991-92.

A boardroom shake-up and a warning about full-year losses pushed precision engineer J. Billam down to 115p at one *point during the day but the* shares closed 19 down at 123p.

High street retailer WH Smith Group fell 14½ to 447½p, after Cazenove, the company's broker cut current year profit estimates. The House was said to have reduced profit expectations by £7m to £138m and to have cited a lower than anticipated pension credit and worries about trading during the upcoming Christmas trading season.

Those concerns about Christmas period trading were also *heard around Storehouse* which pleased the market with its full year results. Traders also said the figures had already been discounted and the shares ended the day 5 lower at 214p.

Sears managed to resist the poor sentiment surrounding christmas trading and the shares hardened 3 to 106½p after heavy trading of 13m.

The reduction of profit esti*mates by several brokers* hit shares in Allied Domecq after the group posted disappointing interim figures.

Profits rose from £266m to *£310m but fell short of market* expectations and analysts were particularly disappointed by what one called the "flat trading performance".

It was the second time this week that brokers had cut prof*its forecasts and the shares* tumbled 19 to 555½p, after heavy trading of 6.6m. BZW reduced its 12 months forecast by £8m to £714m while NatWest Securities by £28m to also arrive at a similar figure of £714m.

The poor sentiment in Allied was said to have spread to several other stocks in the sector and Bass eased 5 to 522p, while Whitbread fell 8½ to 538½p.

BT added 3½ to 372½p helped by an upbeat presentation to analysts by the group's Cellnet, mobile phone joint venture. Good increases in usage was the main thrust of Cellnet's message.

Manchester United's virtual elimination from the European Champions Cup competition *saw the shares slide 14 to 625p.*

News that the parent of the Telegraph had been buying back shares in the newspaper helped shares rise 8 to 354p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (16).
GILTS (1) DISTRIBUTORS (1) Middlesex, **ENGINEERING (1)** Lincat, **EXTRACTIVE INDS (1)** Rexmon, **INVESTMENT TRUSTS (4) INVESTMENT COMPANIES (1)** Mauritius Fd, **MEDIA (1)** Elsevier, **OIL EXPLORATION & PROD (1)** Crusader, **OTHER SERVS & BUSNS (2)** Bertam, Greenwty, **SPIRITS, WINES & CIDERS (1)** *Macdonald Martin A,* **SUPPORT SERVS (1)** Business Post, **TEXTILES & APPAREL (1)** Chamberlain Phipps.

NEW LOWS (108).
BANKS (1) First Natl Fnnce 7pc Pf, **BUILDING & CNSTRN (4)** CALA, Eve, Prowting, Regent, **BLDG MATLS & MCHTS (1)** Anglian, **CHEMICALS (1)** Yorkshire, **DISTRIBUTORS (4)** Charles Sidney, Heritage, Perry Group, Vardy (R), **DIVERSIFIED INDLS (7)** BTR, Do. Wrts 1994/95, Do. Wrts 1995/96, Do. Wrts 1997, Do. Wrts 1998, Staveley Inds., Suter Wrts, **ELECTRNC & ELECT EQUP (5)** Bowthorpe, Chloride, Soundtracs, TDS Circuits, Telemetrix, **ENGINEERING (2)** Billam (J), Newmark (L), **EXTRACTIVE INDS (5) FOOD MANUF (3)** Acatos & Hutch, Hazlewood, JLI, **HEALTH CARE (2)** Biotrace Intl, UniChem, **INSURANCE (1)** Onel, **INVESTMENT TRUSTS (27) INVESTMENT COMPANIES (3)** *Guangdong Dev Fd, JF Pac Wrt* Co, Oryx Fund, **LEISURE & HOTELS (3)** Alpha Airports, Mandarin Oriental Intl, Prism Leisure, **MEDIA (3)** On Demand Info, Phonelink, Sunset & Vine, **OTHER FINANCIAL (2)** Gowett & Co, IAF, **PRTNG, PAPER & PACKG (3)** API, Semrose, Senl, **PROPERTY (12)** Birkby, Brit Land 6pc Bd, Daejan, Development Secs, PSIT, Peel, Prior, Prop. Partnership, Property Trust (PVT), Scottish Metropolitan, Slough Ests, UK Estates, **RETAILERS, GENERAL (2)** Kleeneze, Liberty, **SUPPORT SERVS (3)** Johnson Cleaners, Oxford Molecular, Superscape VR, **TELECOMMUNICATIONS (1)** Nippon T & T, **TEXTILES & APPAREL (4)** Lambert Howarth, PEX, Readicut, SEET, **TRANSPORT (1)** Utd Carriers, **WATER (1)** South West, **AMERICANS (4)** Bethlehem Steel, Honeywell, Quaker Oats, Tenneco, **CANADIANS (1)** American Barrick Res.

EQUITY FUTURES AND OPTIONS TRADING

With Wall Street out of action for Thanksgiving, stock index futures drifted for most of the session, moving modestly higher in low trading volume, *writes Jeffrey Brown.*

Activity dwindled to nominal levels, with just 7,015 contracts contrasting starkly with the near 20,000 notched up in the previous session following Tuesday's big sell-off on Wall Street.

The FT-SE 100 December contract was 3,034 at the close of pit trading, clawing back nine points of the 115 lost in the previous three days.

There was a premium to the cash market of around 10 points through most of the session, but in the final hour this shaded dramatically and at the official 4.10pm close December had swung to a two-point discount, or nine points under fair value.

Traders were mostly disappointed by the day's performance. Many had expected the future to show more determined recovery given Wall Street's relatively neutral close on Wednesday.

Traded options also paused for breath after the previous day's excitement when a major securities house pushed through a record 20,000 January puts. Total volume was 26,574 lots, down from 80,984 on Wednesday. FT-SE and Euro FT-SE trading accounted for just over 11,000 lots. Eastern Electricity was the busiest stock option, with 1,800 contracts dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3038.0	3034.0	+10.0	3056.0	3026.0	7756	52283
Mar	3053.0	3048.5	+9.5	3067.5	3047.0	1161	8539
Jun	3084.0	3070.0	+10.0	3084.0	3084.0	21	145

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3480.0	-6.0			0	2853
Mar		3517.0	-5.5			0	2504

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3,465.0		3,465.0	3,465.0	267	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3036) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Dec	197½	12½	158½	20½	118½	30½	83	47	53½	70	33	101	18½	138	10½	180
Jan	225½	32	189	44	152½	59½	121½	47	92	100	69	128	48	158	36	195
Feb	238	41½	207	53½	169½	67½	140	88½	111	109½	88½	136½	67½	167	50	202
Mar	252½	56½	216	71½	183	88	153½	108	124	128	101½	156	80½	185	63½	218
Jun†			252	90			192	129			141½	178½			99	236½

Calls 4,815 Puts 4,641

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Dec	173	14½	132½	24	98½	37½	67	58	44	85	26½	117	14	154½	6½	198½
Jan	260½	35	164	48	131½	65	103½	86½	79½	112	57½	139½	41	173	30½	211½
Feb			182	55			125	96½			78	148			45½	214
Mar			194	73			134	111			87	162			52½	226
Jun†			238½	98½			180½	137			132	185			92	242

Calls 974 Puts 552 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Dec		87.4 40.2	60.1 62.7	38.1 91.5				

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,900	331	+6
ASDA Group†	1,500	84¼	-¼
Abbey National†	2,700	409½	+6½
Albert Fisher	2,800	44	+2½
Allied Domecq†	6,600	556½	-19½
Anglian Water	169	483	-10
Argos	245	345	-1
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Nov 24	Day's chge%	Nov 23	Nov 22	Nov 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3036.6	+0.3	3027.5	3078.7	3121.0	3093.1	4.23	7.25	16.31	116.23	1154.20
FT-SE Mid 250	3481.2	-0.2	3488.8	3545.3	3589.5	3445.2	3.62	5.92	20.38	122.22	1304.78
FT-SE Mid 250 ex Inv Trusts	3483.5	-0.3	3493.9	3548.0	3570.5	3444.3	3.78	6.41	18.96	127.35	1303.22
FT-SE-A 350	1524.0	+0.2	1521.2	1546.7	1585.5	1542.4	4.09	6.94	17.08	57.25	1185.17
FT-SE SmallCap	1763.25	----	1762.75	1782.19	1788.16	1736.19	3.38	5.06	24.96	52.08	1374.16
FT-SE SmallCap ex Inv Trusts	1733.42	----	1733.83	1750.50	1754.83	1711.69	3.59	5.62	22.76	53.95	1355.16
FT-SE-A ALL-SHARE	1510.28	+0.2	1507.68	1532.32	1550.01	1525.84	4.04	6.81	17.48	55.91	1194.57

■ FT-SE Actuaries All-Share

	Nov 24	Day's chge%	Nov 23	Nov 22	Nov 21	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2651.26	+0.7	2633.50	2657.10	2708.10	2388.10	3.56	5.16	24.51	89.83	1070.36
12 Extractive Industries(4)	3753.45	----	3753.46	3829.04	3870.62	3225.50	3.42	5.47	22.62	98.62	1035.74
15 Oil, Integrated(3)	2621.78	+0.9	2599.05	2627.57	2673.72	2369.80	3.71	5.73	21.73	96.44	1082.69
16 Oil Exploration & Prod(11)	1848.32	+0.1	1846.38	1873.68	1878.92	1837.00	2.25	‡	‡	36.03	1068.41
20 GEN MANUFACTURERS(267)	1842.58	+0.1	1840.08	1876.86	1897.49	1899.10	4.19	5.33	22.67	70.89	944.12
21 Building & Construction(33)	1021.99	+0.2	1019.95	1033.51	1041.08	1138.70	3.88	5.49	24.00	38.57	805.71
22 Building Matls & Merchs(32)	1823.80	----	1822.97	1855.62	1880.08	1952.00	4.09	5.36	22.60	70.57	865.56
23 Chemicals(23)	2242.70	+0.4	2233.10	2277.84	2303.76	2137.00	4.20	4.69	26.59	89.87	999.66
24 Diversified Industrials(16)	1728.59	-0.2	1732.77	1777.06	1805.54	1953.40	5.30	5.32	22.56	82.92	889.10
25 Electronic & Elect Equip(34)	1834.73	+0.2	1830.18	1872.55	1898.07	2053.30	4.12	6.84	17.43	61.88	899.40
26 Engineering(71)	1803.14	+0.3	1797.70	1820.19	1832.54	1681.90	3.35	5.49	21.39	57.89	1037.61
27 Engineering, Vehicles(12)	2300.48	+0.7	2285.20	2324.81	2352.79	1957.00	4.35	1.50	80.00†	92.54	1125.20
28 Printing, Paper & Pckg(26)	2787.59	+0.1	2785.51	2864.15	2870.44	2457.30	3.12	5.56	20.95	81.25	1101.12
29 Textiles & Apparel(20)	1559.78	+0.3	1555.42	1573.09	1575.20	1863.20	4.32	6.91	17.76	63.23	891.25
30 CONSUMER GOODS(97)	2725.66	----	2724.53	2758.30	2781.00	2729.60	4.42	7.39	15.70	112.89	944.08
31 Breweries(17)	2179.79	-0.7	2194.96	2208.84	2221.01	2038.40	4.36	7.97	15.15	61.47	976.65
32 Spirits, Wines & Ciders(10)	2732.30	-0.8	2754.93	2782.43	2804.77	2677.80	4.11	7.07	16.27	102.20	919.98
33 Food Manufacturers(23)	2261.34	+0.3	2253.50	2278.00	2311.42	2267.70	4.36	7.60	15.19	94.55	958.07
34 Household Goods(13)	2313.89	-0.1	2316.01	2353.70	2370.54	2583.90	3.95	7.84	15.37	89.98	837.95
36 Health Care(21)	1586.19	+0.9	1571.32	1583.93	1590.80	1676.90	3.23	3.39	41.48	49.70	924.98
37 Pharmaceuticals(12)	3078.93	+0.3	3068.30	3098.69	3114.35	3015.50	4.38	7.00	16.53	133.07	967.04
38 Tobacco(1)	3720.56	+0.7	3695.39	3800.26	3867.37	4158.30	5.83	9.24	11.62	217.07	848.69
40 SERVICES(219)	1899.21	+0.2	1896.03	1922.76	1936.27	1877.10	3.30	6.68	18.08	56.80	936.92
41 Distributors(30)	2527.85	----	2527.56	2553.89	2561.94	2679.80	3.75	7.30	16.20	89.19	881.79
42 Leisure & Hotels(25)	2058.46	+0.3	2051.45	2074.33	2102.73	1899.50	3.43	5.28	22.18	57.69	1017.72
43 Media(39)	2843.13	+0.8	2826.80	2878.89	2890.52	2583.20	2.45	5.29	22.03	70.14	989.50
44 Retailers, Food(16)	1739.62	+0.4	1733.49	1752.60	1777.47	1571.80	3.75	9.20	13.43	58.44	1045.64
45 Retailers, General(45)	1595.86	-0.5	1604.68	1629.32	1632.86	1704.90	3.35	7.16	17.43	52.78	859.20
48 Support Services(41)	1512.59	+0.1	1510.59	1523.83	1527.47	1581.80	2.81	6.51	18.09	38.43	923.58
49 Transport(16)	2244.31	+0.7	2227.98	2262.82	2286.90	2342.30	3.79	6.29	18.74	87.01	884.38
69 NON-FINANCIALS(697)	1630.37	+0.1	1629.14	1655.10	1672.56	1634.88	4.02	6.68	18.26	59.74	1158.74
70 FINANCIALS(104)	2150.07	+0.6	2137.38	2174.83	2211.82	2265.20	4.51	9.10	12.73	90.84	856.17
71 Banks(10)	2848.85	+0.9	2822.22	2870.54	2942.81	2840.40	4.24	9.96	11.49	116.39	858.52
73 Insurance(17)	1210.46	+0.5	1204.74	1230.31	1245.16	1403.60	5.61	10.09	11.30	61.95	836.15
74 Life Assurance(6)	2312.86	-0.2	2317.97	2359.68	2380.03	2605.90	5.63	8.06	15.13	127.82	895.10
75 Merchant Banks(6)	2788.99	+0.3	2780.69	2856.12	2858.02	2998.20	3.73	10.29	11.25	97.76	845.24
77 Other Financial(24)	1844.27	-0.3	1849.28	1876.93	1884.23	1692.80	3.96	8.56	13.98	67.63	991.40
79 Property(41)	1404.36	+0.2	1401.56	1418.34	1418.42	1701.60	4.36	4.62	27.14	46.97	806.33
80 INVESTMENT TRUSTS(124)	2694.45	+0.5	2681.05	2738.16	2762.97	2859.70	2.28	1.99	50.74	59.44	906.16
89 FT-SE-A ALL-SHARE(885)	1510.28	+0.2	1507.68	1532.32	1550.01	1525.84	4.04	6.81	17.48	55.91	1194.57

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3037.6	3037.7	3036.8	3043.2	3042.9	3040.1	3039.0	3040.2	3036.3	3044.7	3034.7
FT-SE Mid 250	3493.2	3495.0	3494.4	3495.0	3494.3	3485.6	3487.3	3485.0	3482.0	3496.5	3481.2
FT-SE-A 350	1525.6	1525.8	1525.4	1527.9	1527.7	1526.2	1525.5	1525.7	1523.9	1528.6	1523.6

Time of FT-SE 100 Day's high: 11.25am Day's low: 9.38am. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	969.6	970.8	970.6	971.3	969.9	968.3	968.0	968.3	968.7	968.3	965.8	+2.5
Pharmaceuticls	3046.4	3042.6	3041.7	3054.3	3049.3	3048.3	3047.9	3047.2	3047.7	3049.3	3040.7	+8.6
Water	1810.1	1812.1	1812.2	1809.0	1811.1	1810.4	1802.9	1791.9	1775.3	1776.6	1808.3	-31.7
Banks	2879.7	2876.0	2873.2	2881.6	2891.5	2887.0	2887.0	2893.0	2884.4	2884.8	2857.7	+27.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Domecq	550	19	32	38½	16	23	35½
(*556)	600	3½	13¼	18	52½	55½	67
Argyll	260	14	23½	29	7½	13½	19
[illegible]							
BAT Inds	430	37	44½	48½	9	20½	26½
(*442)	460	16	23	27½	28	42	48
BTR	280	18	22	27	9	16½	19
(*284)	300	8½	14	18½	20½	29	30½
Brit Telecom	360	23½	29	33½	10	13½	20½
(*372)	390	10	16	18½	28	30½	38
Cadbury Sch	420	28½	35	41½	8	18	21½
(*435)	460	9½	16	23	29	40½	43½
Eastern Elec	750	63	78	91½	23	30½	52
(*790)	800	34½	51	65	46½	54	75½
Guinness	420	44½	52	55½	2½	10	13
(*458)	460	17½	26½	32	14	26½	30
GEC	260	21	28½	32½	4½	7	11
(*277)	280	10	17	21½	12½	15½	21

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	220	13½	16½	19	6½	11	14½
(*227)	240	5	8	10½	18½	22½	26
Lasmo	140	12	16½	19½	5½	8	8½
[illegible]							
Wellcome	650	32½	55½	71	12½	29½	44
(*666)	700	9	32	47½	40½	56	71

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Glaxo	600	36½	51½	65	15½	31	39½
(*616)	650	13½	29	42	43	58½	68½
HSBC 75p shs	700	41	58	69½	18½	43	52
(*716)	750	18	34½	47½	45	72	81
Reuters	460	25	38	46	11	22½	27½
(*470)	500	8	18½	28	34½	44½	49½

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Rolls-Royce	160	22½	25½	28½	2½	6	8½
(*178)	180	10	14	18	10	15	17

* Underlying security price. Premiums shown are based on settlement prices.
November 24, Total contracts: 25,402 Calls: 15,453 Puts: 10,949

FT GOLD MINES INDEX

	Nov 23	% chg on day	Nov 22	Nov 21	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1899.83	-2.6	1948.94	1988.30	2046.83	2.27	2367.40	1762.02
■ Regional Indices								
Africa (16)	3140.19	-3.0	3235.66	3253.93	2875.50	4.37	3711.87	2304.45
Australasia (7)	2441.77	-3.2	2521.29	2624.59	2252.61	2.06	3013.89	2171.66
North America (11)	1449.07	-2.2	1481.15	1511.76	1781.69	0.92	2039.65	1468.11

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Nov 24: 238.7 ; day's change: -0.1 points; Year ago: 235.8 † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	8	31
Other Fixed Interest	3	0	11
Mineral Extraction	80	33	83
General Manufacturers	131	100	398
Consumer Goods	42	35	110
Services	104	57	331
Utilities	8	24	11
Financials	108	51	205
Investment Trusts	125	25	315
Others	64	20	31
Totals	696	353	1526

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 21	Expiry	February 23
Last Dealings	December 2	Settlement	March 9

Calls: Bk. Scotland, Cable & Wire., Filtronic, Middlesex Hldgs., Ovoca Res., Signet, Tullow Oil *Puts:* Cable & Wire, Ovoca Res., Tullow Oil Puts & Calls: Bk. Scotland, Middlesex Hldgs., Prudential, WPP.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	18.8	88	70	Abtrust Latin Am	84		-	-	-	-
-	F.P.	1.92	63	48	Do Warrants	48		-	-	-	-
-	F.P.	11.6	192	180	♣Adare Prntg	192	+3	†Q28%	8.1	1.4	11.2
150	F.P.	78.1	149	145½	Ashbourne	145½		WN3.0	3.1	2.6	13.4
100	F.P.	66.8	93	85½	BZW Commodities	85½		-	-	-	-
-	F.P.	5.78	47	37	Do. Wrts	37		-	-	-	-
-	F.P.	46.4	104	65	♣Calluna	88	-1	-	-	-	-
280	F.P.	30.3	287	280	Churchill China	285		RN9.88	2.2	4.3	13.0
141	F.P.	23.5	143	143	Eurovein	143		WN6.2	1.8	5.4	11.4
-	F.P.	487.0	495	485	Fidelity Spec Units	487	+2	-	-	-	-
-	F.P.	66.4	178	108	Filtronic C'tek	163	+10	RN0.75	2.6	0.6	54.8
100	F.P.	11.0	101	100	Finsbury Smlr C	100		-	-	-	-
100	F.P.	28.8	102	98½	For & Col Emrg C	100½	+¾	-	-	-	-
100	F.P.	30.3	102	98	Hoare Govett 1000	101		-	-	-	-
-	F.P.	29.1	100	90	INVESCO Korea C	97		-	-	-	-
180	F.P.	168.3	223	205	Irish Permanent	221	+4	uN9.0	2.9	6.4	7.7
215	F.P.	69.3	232	229	JJB Sports	231		RN6.0	2.4	3.2	14.1
120	F.P.	63.5	131	120	SeaPerfect	129		-	-	-	-
115	F.P.	222.6	126	117	TLG	125	+1	WN3.5	2.0	3.5	17.9
170	F.P.	19.4	173	165	Tele-Cine Cell	165		RN5.44	2.2	4.1	11.4
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
77	Nil	30/12	3pm	2pm	Apollo Metals	2pm	
310	Nil	20/12	41pm	16pm	Kenwood Appl	16pm	-3
285	Nil	5/1	60pm	35pm	Laird	35pm	-2
27	Nil	28/11	3½pm	2½pm	Martin Intl	2½pm	-½
37	Nil	3/1	5pm	3pm	OMI	3pm	
85	Nil	23/12	15pm	6pm	Pressac	6pm	
285	Nil	6/1	57½pm	40pm	Seton Health.	40pm	-9

FINANCIAL TIMES EQUITY INDICES

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 18	Yr ago	*High	*Low
Ordinary Share	2326.9	2323.8	2368.1	2399.8	2407.0	2355.2	2713.6	2240.6
Ord. div. yield	4.48	4.49	4.39	4.33	4.32	3.96	4.81	3.43
Earn. yld. % full	6.60	6.61	6.44	6.35	6.33	4.56	6.81	3.82
P/E ratio net	17.47	17.45	17.93	18.18	18.24	27.54	33.43	16.94
P/E ratio nil	17.06	17.03	17.55	17.80	17.86	25.54	30.80	17.03

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2330.5	2330.8	2330.6	2330.5	2333.3	2330.8	2330.2	2331.6	2329.3	2334.5	2326.9

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 18	Yr ago
SEAQ bargains	22,386	27,343	24,284	24,305	25,114	27,842
Equity turnover (£m)†	-	1499.8	1331.3	1448.5	1280.6	1590.1
Equity bargains†	-	29,950	25,980	27,507	28,540	32,731
Shares traded (ml)†	-	661.9	849.5	568.4	548.5	623.0

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅛	—	£25⅛	£19¾	6,687	5.1	Φ
ANZ A$		191	+9	278¼	171	2,542	6.4	Φ
Abbey National	†N□	409½	+6½	523	390½	5,372	4.7	13.8
Allied Irish I£	♣†N□	246	+5	314	233	1,653	5.1	9.5
Anglo Irish I£	N□	55	—	*70	50	169.3	8.3	Φ
Asahi Y	□	666½	+9¼	819¼	628	15,471	0.7	Φ
Banco Bil Viz Pts	□	£16½	+¼	£16⅝	£14½	3,881	5.0	7.5
Banco Sant Pts		£24⅝	—	*£30½	£23¼	3,721	5.8	8.6
Bk Ireland I£	♣†N□	265xd	+2	*319	246	1,352	5.1	8.3
Bank Scotland	♣†N□	205½xd	+2½	247	172½	2,400	3.2	11.6
9¼pc Pf		109¼xd	+¼	141½	106	109.2	10.6	–
9¾pc Pf		114xd	–¼	148½	111¼	114.0	10.7	–
Barclays	♣†N□	585½	+6½	690	487	9,580	3.5	18.1
Dai Ichi Kan Y	□	£10⅝	–⅛	£12⅝	£10⅛	33,686	0.5	–
Deutsche DM	□	£303¼	+5⅛	£344⅜	£270⅛	14,451	2.2	–
Espirito Santo	□	£8⅝	+⅛	*£13⅛	£7⅝	184.8	4.4	4.3
First Nat Fin	N□	84½	–½	*99	60	108.9	2.9	–
6.3pc Cv Pf		72	—	*90	70	4.84	10.9	–
7pc Cv Pf		119	–1	171	119	56.5	7.4	–
Fuji Bank Y	□	1235¼	–11	1549¼	1152½	35,797	0.4	Φ
HSBC HK	†N□	715½	+13	1133	680	12,551	4.3	10.4
HSBC (75p Shs)	†N□	717	+10½	1113	660	6,104	4.3	10.4
Lloyds	†N□	574	+1	609	519	7,444	5.0	11.3
Mitsubishi Y	□	£14⅛	+⅜	£18⅝	£13⅜	40,644	0.4	Φ
Mits Tst & Bk Y	□	835¼	+32½	1162¼	687½	10,014	0.6	13.0
Mitsui Tst & Bk Y	□	824¼	–1¼	879	514	7,481	0.9	20.5
Nat Aust A$		521	+10	620¼	472	6,974	6.9	Φ
NatWest	†N□	506	+5	622	421	8,667	4.8	9.4
Ottomane FFr		£21	—	£38	£21	105.0	6.9	Φ
Ryl Bk Scotland	♣†N□	425	–17½	528	377½	3,404	3.5	19.2
Sakura Y	□	£9¼	+⅛	£9⅞	£8⅞	27,380	0.7	49.8
Sanwa Y	□	£11⅞	+⅛	£15⅛	£11⅜	34,524	0.5	–
Standard Chartd	†N□	281	+10	*359¼	223	2,706	2.8	9.6
7 3/8pc Prf		86¼	—	108½	82¼	86.6	10.6	–
Sumitomo Y	□	£16⅝	–⅛	£18⅛	£16⅛	34,112	0.5	22.6
Sumitomo Tst Y	□	809	+16¼	1146½	625	9,958	0.7	Φ
TSB	†N□	218½	–1	291	197	3,345	4.6	11.0
Tokai Y	□	£7⅞	+⅛	£9	£6⅞	14,928	0.8	44.8
Toyo Tst & Bk Y	□	632½	+1	852	586¼	4,971	0.8	54.6
Westpac A$		208¼	+6¼	260	194	3,789	2.6	Φ
Yasuda Tst Bk Y	‡□	497½	+2	656	442	5,486	1.0	42.9

BREWERIES

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	1½	—	10¼	1½	5.57	–	–
Bass	†N□	522	–5	619	485	4,557	5.0	13.6
Boddington	†N□	255	—	299	248	309.3	4.1	13.7
Burtonwood	†N	179xd	—	198	168	37.2	3.6	15.0
Eldridge Pope A	‡♣†N	167	—	181	142	32.5	2.7	23.2
Fosters A$		54	—	66	46¼	1,738	5.4	Φ
Fuller STA	‡♣N	377	—	493	375	76.9	2.6	15.6
Gibbs Mew	‡♣N	433	—	*459	348¼	46.3	2.5	15.6
Greenalls	♣†N□	416	–3	511	399	659.9	3.8	15.9
Greene King	N□	539	+1	594	452	228.0	3.0	15.0
Grosvenor Inns	‡♣N	140	—	*165	124	18.6	4.2	20.2

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr	□	86½	—	*£7⅜	£4⅜	651.5	14.3	2.9
Akzo Fl	□	£71⅝	+⅜	£82⅞	£62⅞	3,291	3.3	18.6
Allied Colloids	†N□	132	+1	*158½	115½	605.4	2.2	21.2
Amber Ind	†N	790	—	790	705	30.9	3.4	16.2
BASF DM	□	£125⅝	+2⅜	£149⅝	£106⅛	7,348	7.5	–
BOC	♣†N□	685xd	+5	767	627	3,322	4.5	28.3
BTP	♣N□	284	+3	*373	281	363.7	4.4	18.0
Bayer DM	□	£137⅛	–⅞	£168⅛	£129⅝	8,218	6.6	–
Brent	N□	104½	—	131	99	70.6	4.8	–
British Vita	†N□	224	—	309	219	487.2	4.2	16.7
Cambridge Ion S	‡	19	—	25	18	2.46	–	–
Canning (W)	♣N□	185xd	—	199	153	52.4	4.9	31.3
Cementone	♣N	51	—	108	50	11.2	8.8	23.5
Warrants		17	—	49	17	0.15	–	–
Courtaulds	†N□	429	+4	580	425	1,728	4.4	34.3
Croda	†N□	352xd	—	389	327	465.7	3.0	16.1
Doeflex	♣N	134	—	143	95	14.2	4.3	13.5
Engelhard $		£14⅛	+⅛	£20⅞	£13⅜	1,349	2.2	–
European Colour	♣†N□	64½	—	69½	35½	19.4	2.7	18.5
Gibbon	♣N	138	—	149	132	12.6	5.0	12.9
Hickson	♣N□	145	—	223	145	285.1	6.9	13.0
Hoechst DM	□	£127¾	–1⅛	£163⅞	£108⅞	7,531	5.8	–
Holliday Chemical	†♣N□	219	—	*280	153¼	226.0	2.5	17.9
ICI	N□	752	+6	866	728	5,444	4.6	60.8
Inspec	L□	206	+1	232	178	177.4	2.1	34.2
Kalon	♣†N□	148½	—	181½	140	188.1	3.9	13.3
Laporte	♣†N□	696	–6	843	683	1,330	3.8	17.6
MTM	‡□	82	—	95	48	30.4	0.8	–
Manders	N□	300	—	405	300	119.1	4.2	14.6
McLeod Russel	N□	115	—	127	100	68.6	6.9	Φ
Metrotect Inds	♣N□	71	+7	128	61	17.1	6.2	8.4
Perstorp SKr	□	£23½	+⅞	£32⅞	£20⅛	117.1	1.7	29.0
Porvair	♣†N	285	—	349	265	45.7	1.9	22.2
Scapa	♣†N□	199	—	272	186	472.4	3.8	16.8
Sutcliffe Speak	♣N□	32	—	66	31	18.0	2.0	19.0
Wardle Storeys	N□	352	—	480	351	87.6	6.3	18.9
Wellington	W□	193	—	220	192	45.6	3.3	16.6
Wolstenholme	♣†N	785	—	823	570	58.1	3.0	16.4
Yorkshire	♣†N□	366	–14	*483	385	167.2	2.8	15.8
Yule Catto	†N□	284xd	—	336	258	282.9	2.9	21.6

DISTRIBUTORS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABI Leis	♣N□	109	+2	127	106	29.1	4.8	Φ
Abacus	RN□	166	—	201	161	49.3	2.6	18.9
Adam & Harvey	♣†N	580	—	575	253	24.0	3.5	7.6
African Lakes	N	57	—	62	44	3.75	1.1	–
Alexanders	♣N	21	—	31	21	8.29	3.0	19.5
Appleyard	♣†N□	117	—	175	117	77.7	6.2	20.6
Ass Br Eng	N□	4½	—	6	3¼	11.8	1.4	58.8
BSS	♣N	620	—	678	495	136.2	4.3	21.7
Bearing Power	♣N□	23½	—	25½	17	7.99	4.0	14.9
Bletchley	♣†N	255	—	405	249	15.6	5.1	10.5
Bogod A	N	28	—	40	28	1.36	3.1	Φ
Braemer	♣N□	337	—	370	288	150.6	4.8	18.7

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	95	-½	120	89	–	93.1	-2.0
Warrants	□	41	–	88	41	–	–	–
Personal Assets		587	–	594	579	2.8	596.0	-.5
Pilot Inv	†N□	125xd	+1	153	124	1.6	123.8	-1.0
Warrants	□	43	–	68	40½	–	–	–
Piper Euro Smlr	□	91	–	86	97	–	88.8	-2.4
Warrants	□	41	–	43	33	–	–	–
Primadona	N	268	–	293	261	2.1	290.4	7.7
Prolific Income	□	476	–	483	475	–	473.6	-.5
Ptarmigan Intl	♣aN	223	–	*276	206	1.9	234.3	4.8
Warrants		81	–	140	78	–	–	–
RIT Capital	♣N□	179	–	189	164½	1.1	217.9	17.9
2½pc Cv Ln 2006		£179½	–	£188½	£170½	1.4	–	–
Radiotrust		70	–	88	69	–	70.6	0.8
Rights & Iss Inc	KN	165	–	164	153	7.3	–	–
Cap	N	485xd	–	645	440	2.2	534.8	9.3
Riv & Merc Am Inc	N	103	–	121	103	8.8	–	–
Cap	□	27½	–	38	27½	–	38.8	29.1
Warrants		11½	-¼	17	11½	–	–	–
Riv & Mer Ext	FN□	93xd	–	147	91	10.5	96.4	3.5
Warrants		17	–	49	14	–	–	–
Zero Div Pf		111	–	118½	108	–	–	–
Riv & Mer Geared	N	83xd	–	116	83	11.3	–	–
Prfd Cap 1999		26½	–	35	23	–	32.9	19.5
Riv & Merc Smlr	N□	124	–	170	119	4.2	132.3	6.3
Warrants		32	–	77	31	–	–	–
Riv & Merc Tst Inc	N□	113½	–	127	112	10.3	–	–
Cap	□	118	+1	160	117	–	181.6	35.0
Warrants		23	–	40	22	–	–	–
Do. Stpd Prf	N	151	–	163	144	4.9	–	–
River Plate Inc	N□	108	–	113	106	10.3	–	–
Cap	□	72	–	118	72	–	113.0	36.3
Warrants		2	–	11	2	–	–	–
Zero Div Pf		87¾	–	87¾	83¾	–	–	–
St Andrew	KN	303	–	343	290	3.3	311.4	2.7
St David's Inc	N	133xd	–	143	124	14.1	–	–
Cap		168	–	223	168	–	240.6	30.2
Zero Prf		151	–	151½	147½	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. ... 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for ... 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Money Funds						
Pembroke Hall, Pembroke, Bermuda						
[illegible]						

GUERNSEY (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Lazard Freres Asset Management (CI) Ltd						
PO Box 275, St Peter Port, Guernsey, CI 0481 710461						
Lazard Fund Mngrs (Channel Islands) Ltd						
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461						
Lloyds Intl Money Market Fund Ltd						
M & G (Guernsey) Ltd						
Prudential Fund Managers (Guernsey) Ltd						
Rothschild Asset Management (CI) Ltd						
[illegible]						

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Credis Investment Funds - Contd.

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

CMI Insurance Co Ltd - Contd.

Century Life International

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Ermitage Group - Contd.

Europe 1992

S.G. Europe Obligations SA

FRM / Swiss Financial Services

Fairbanks Global Capital Fund Ltd

Ferrell Management Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

KI Asia Pacific Fund Ltd

Pequot International Fund Inc

Pera Select Group of Funds Limited

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Private Asset Management GAM Fund Inc

Prospector Fund Management Ltd

Putnam Embassy Funds Ltd

Springfield Fund Mgmt (Gibraltar) Ltd

Sri Lanka Growth Fund

State Street Banque SA

Strome Offshore Limited

Swiss Bank Corporation

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

UK political woes cause sterling to weaken

Sterling came under some pressure on the foreign exchanges yesterday amid talk of the government resigning if it was defeated next week in legislation over Europe, *writes Philip Gawith.*

Mr John Major, the prime minister, confirmed that he would ask the Queen to dissolve parliament if the government lost a vote on the European Union budget.

The pound finished half a pfennig lower in London, at DM2.4339, from DM2.4394. Against the dollar, it closed at $1.5621 from $1.5701.

Although sterling was the issue on the minds of traders, the level of market activity was low. With the US market closed for Thanksgiving, many investors took to the sidelines. "People don't want to do anything until we get full liquidity back on Monday," said Mr Adrian Cunningham, senior international economist at UBS in London. For this reason, trading is expected to be quiet again today.

Elsewhere, the lira was unchanged against the D-Mark at L1,034, but sentiment remains nervous amid ongoing uncertainty about the political longevity of prime minister Mr Silvio Berlusconi and his government.

With Wall Street closed, there was little impetus for the dollar, which traded sideways to close at DM1.5582, from DM1.5537, and Y98.435 from Y98.335.

■ With little market activity to comment on, it was no surprise that analysts resorted to outdoing each other with Thanksgiving metaphors. Thus Swiss Bank advised its clients: "Better give some of that turkey to the dollar as it is going to need every ounce of strength to stay at current levels for the remainder of this year."

In fact, the dollar has been quite well supported in recent days, bolstered by the good performance of US treasuries, and lingering speculation about the possibility of a German rate cut.

Yesterday, however, was not the day for lower interest rates. The Bundesbank council wasted little time in deciding to leave interest rates unchanged – the repo rate at 4.85 per cent, the discount rate at 4.5 per cent, and the Lombard rate at 6 per cent.

There had been little expectation of a move in official rates, but some speculation about a return to a variable rate repo. Mr Julian Jessop, international economist at Midland Global Markets, said one reason why the Bundesbank avoided this route was that the objective would be to let the repo rate fall ahead of a cut in the discount rate.

At the end of the month, however, when banks need to meet reserve requirements, there is a risk of the repo rate being bid up by an accident of liquidity.

Also, "the Bundesbank would only ease rates if it were confident that the bond market would benefit," said Mr Jessop. Given continuing uncertainty about fiscal policy and next year's pay rises, he said any sign of weakness would not be well received.

■ The next few days are potentially turbulent ones for sterling. Monday sees the crucial vote on EU contributions, Tuesday is Budget day and Wednesday is the deadline for any challenge this year to prime minister John Major as party leader.

Mr Avinash Persaud, head of currency strategy at JP Morgan in London, commented: "The weakness of sterling is limited at current levels. Once the Wednesday deadline is out of the way, sterling will have a firm foundation for some future strength."

Mr Persaud said this consisted of the unusual nature of the UK economic recovery: very low core inflation, combined with a pre-emptive rise in interest rates; and strong economic growth, alongside an improving current account.

Despite short term difficulties over the EU bill, Mr Persaud said it was arguable that political risk in the UK had actually fallen. "Even though there is a significant chance of this government being defeated at the next election, the opposition does not appear to be offering a very different stance in terms of monetary or fiscal policy."

■ The Bank of England provided UK money markets with £100m of assistance at established rates, and £330m of late assistance, after forecasting a £650m shortage. Overnight money traded between 4¾ and 7 per cent. Three month LIBOR eased to 6 per cent from 6 1/16 per cent.

Sterling

Against the dollar ($ per £)

Source: FT Graphite

■ **Pound in New York**

Nov 23	— Close —	— Prev. close —
£ spot	1.5700	1.5695
1 mth	1.5699	1.5695
3 mth	1.5696	1.5694
1 yr	1.5686	1.5682

■ **OTHER CURRENCIES**

Nov 24	£	$
Hungary	171.330 - 171.541	109.700 - 109.880
Iran	2742.00 - 2745.00	1748.00 - 1750.00
Kuwait	0.4671 - 0.4674	0.2991 - 0.2992
Poland	37225.5 - 37276.5	23835.0 - 23860.0
Russia	5017.50 - 5022.00	3212.00 - 3215.00
U.A.E.	5.7288 - 5.7404	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1334	-0.0396	267 - 400	17.2064	17.1062	17.129	0.3	17.1172	0.4	-	-	115.3
Belgium	(BFr)	50.0903	-0.0901	744 - 061	50.2520	50.0140	50.0653	0.6	49.9803	0.9	49.5003	1.2	117.0
Denmark	(DKr)	9.5305	-0.0322	274 - 336	9.5802	9.5151	9.5287	0.2	9.5354	-0.2	9.5224	0.1	116.9
Finland	(FM)	7.4683	+0.0197	593 - 772	7.4780	7.4330	-	-	-	-	-	-	88.5
France	(FFr)	8.3609	-0.019	588 - 630	8.3939	8.3424	8.36	0.1	8.3527	0.4	8.2905	0.8	110.0
Germany	(DM)	2.4339	-0.0055	331 - 347	2.4452	2.4293	2.4328	0.5	2.429	0.8	2.3975	1.6	126.2
Greece	(Dr)	375.064	-0.732	926 - 202	375.783	373.154	-	-	-	-	-	-	-
Ireland	(I£)	1.0111	-0.0007	104 - 117	1.0138	1.0099	1.0109	0.2	1.0105	0.2	1.0124	-0.1	105.1
Italy	(L)	2515.92	-8.02	497 - 687	2525.39	2506.70	2522.32	-3.1	2533.32	-2.8	2583.87	-2.7	73.6
Luxembourg	(LFr)	50.0903	-0.0901	744 - 061	50.2520	50.0140	50.0653	0.6	49.9803	0.9	49.5003	1.2	117.0
Netherlands	(Fl)	2.7285	-0.0058	272 - 297	2.7398	2.7228	2.7273	0.5	2.7235	0.7	2.6919	1.3	120.8
Norway	(NKr)	10.6616	-0.0174	583 - 649	10.7131	10.6110	10.6613	0.0	10.6646	-0.1	10.6637	0.0	85.7
Portugal	(Es)	248.522	-0.261	404 - 640	248.888	246.874	250.252	-8.4	253.432	-7.9	-	-	-
Spain	(Pta)	203.059	-0.528	987 - 130	203.894	202.725	203.429	-2.2	204.084	-2.0	206.969	-1.9	85.6
Sweden	(SKr)	11.6142	+0.0203	045 - 238	11.6330	11.5806	11.6327	-1.9	11.6707	-1.9	11.8327	-1.9	75.9
Switzerland	(SFr)	2.0631	-0.0044	624 - 638	2.0719	2.0591	2.0599	1.9	2.0526	2.0	2.0106	2.5	120.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2784	-0.004	779 - 788	1.2836	1.2763	1.2783	0.0	1.2788	-0.1	1.2718	0.5	-
SDR†	-	0.931788	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5618	-0.0079	615 - 621	1.5650	1.5610	-	-	-	-	-	-	-
Brazil	(R)	1.3340	+0.0057	322 - 358	1.3388	1.3295	-	-	-	-	-	-	-
Canada	(C$)	2.1475	-0.0081	467 - 482	2.1588	2.1450	2.1478	-0.1	2.1465	0.2	2.1464	0.1	86.1
Mexico	(New Peso)	5.3820	-0.0247	788 - 852	5.3900	5.3760	-	-	-	-	-	-	-
USA	($)	1.5621	-0.008	618 - 623	1.5710	1.5598	1.5622	0.0	1.5622	0.0	1.5599	0.2	62.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0583	-0.0095	553 - 573	2.0649	2.0540	2.0584	-1.2	2.0611	-0.9	2.075	-0.9	-
Hong Kong	(HK$)	12.0773	-0.0631	746 - 800	12.1478	12.0608	12.0683	0.9	12.064	0.4	12.0188	0.5	-
India	(Rs)	49.0018	-0.2505	896 - 133	49.2740	48.9350	-	-	-	-	-	-	-
Japan	(Y)	153.761	-0.635	697 - 824	154.600	153.580	153.331	3.4	152.341	3.7	147.221	4.3	191.1
Malaysia	(M$)	3.9956	-0.0157	941 - 970	4.0147	3.9906	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5172	-0.0058	158 - 188	2.5214	2.5140	2.5218	-2.2	2.5311	-2.2	2.551	-1.3	-
Philippines	(Peso)	37.0987	-0.3954	147 - 827	37.1950	37.0060	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8588	-0.0303	575 - 600	5.8922	5.8510	-	-	-	-	-	-	-
Singapore	(S$)	2.2900	-0.011	888 - 911	2.3015	2.2840	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5262	-0.0276	241 - 282	5.5558	5.5203	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5060	-0.0257	893 - 226	6.5941	6.4850	-	-	-	-	-	-	-
South Korea	(Won)	1241.75	-7.19	147 - 203	1249.57	1240.00	-	-	-	-	-	-	-
Taiwan	(T$)	40.9718	-0.2952	582 - 854	40.9927	40.9196	-	-	-	-	-	-	-
Thailand	(Bt)	39.0895	-0.1473	809 - 981	39.2530	39.0360	-	-	-	-	-	-	-

†SDR rates for Nov 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9685	+0.031	660 - 710	10.9830	10.9430	10.961	0.8	10.9445	0.9	10.847	1.1	104.5
Belgium	(BFr)	32.0670	+0.107	620 - 720	32.1050	31.9700	32.047	0.7	31.997	0.9	31.757	1.0	108.0
Denmark	(DKr)	6.1013	+0.0108	003 - 023	6.1085	6.0930	6.1006	0.1	6.1038	-0.2	6.1078	-0.1	105.1
Finland	(FM)	4.7811	+0.0371	761 - 860	4.7900	4.7510	4.7783	0.7	4.7726	0.7	4.7658	0.3	83.2
France	(FFr)	5.3525	+0.0153	520 - 530	5.3595	5.3420	5.3516	0.2	5.3471	0.4	5.3185	0.6	106.3
Germany	(D)	1.5582	+0.0045	579 - 584	1.5605	1.5544	1.5574	0.6	1.555	0.8	1.5382	1.3	107.1
Greece	(Dr)	240.110	+0.765	060 - 160	240.200	238.910	242.81	-13.5	248.16	-13.4	268.86	-12.0	68.5
Ireland	(I£)	1.5451	-0.0067	443 - 458	1.5501	1.5426	1.5454	-0.2	1.5459	-0.2	1.5414	0.2	-
Italy	(L)	1610.65	+3.15	030 - 100	1611.60	1603.00	1614.6	-2.9	1621.65	-2.7	1657.15	-2.9	74.0
Luxembourg	(LFr)	32.0670	+0.107	620 - 720	32.1050	31.9700	32.047	0.7	31.997	0.9	31.757	1.0	108.0
Netherlands	(Fl)	1.7467	+0.0051	462 - 472	1.7485	1.7418	1.7459	0.5	1.7435	0.7	1.727	1.1	105.7
Norway	(NKr)	6.8254	+0.0239	244 - 264	6.8367	6.7906	6.8326	-1.3	6.8444	-1.1	6.8524	-0.4	95.8
Portugal	(Es)	159.100	+0.65	050 - 150	159.270	158.070	159.675	-4.3	160.8	-4.3	164.35	-3.3	95.4
Spain	(Pta)	129.995	+0.33	970 - 020	130.190	129.700	130.22	-2.1	130.64	-2.0	132.745	-2.1	80.6
Sweden	(SKr)	7.4352	+0.051	302 - 402	7.4475	7.3738	7.4464	-1.8	7.4707	-1.9	7.5892	-2.1	81.6
Switzerland	(SFr)	1.3208	+0.004	205 - 210	1.3220	1.3175	1.3186	2.0	1.3141	2.0	1.29	2.3	106.3
UK	(£)	1.5621	-0.008	618 - 623	1.5710	1.5598	1.5622	0.0	1.5622	0.0	1.5599	0.2	88.3
Ecu	-	1.2220	-0.0024	217 - 222	1.2259	1.2208	1.222	0.0	1.2224	-0.1	1.2258	-0.3	-
SDR	-	1.45738	+0.0026	738 - 738	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R)	0.8540	+0.008	530 - 550	0.8570	0.8520	-	-	-	-	-	-	-
Canada	(C$)	1.3748	+0.0019	745 - 750	1.3757	1.3738	1.3745	0.2	1.3741	0.2	1.3783	-0.3	82.7
Mexico	(New Peso)	3.4455	+0.002	440 - 470	3.4550	3.4390	3.4465	-0.3	3.4483	-0.3	3.4557	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3164	+0.0007	160 - 168	1.3170	1.3130	1.3171	-0.7	1.3189	-0.8	1.3317	-1.2	89.1
Hong Kong	(HK$)	7.7317	-0.0006	312 - 322	7.7328	7.7310	7.7297	0.3	7.7285	0.2	7.7362	-0.1	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3725	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	98.4350	+0.1	100 - 600	98.5000	98.3500	98.155	3.4	97.535	3.7	94.47	4.0	151.1
Malaysia	(M$)	2.5579	+0.0031	574 - 584	2.5590	2.5560	2.5549	1.4	2.5504	1.2	2.5784	-0.8	-
New Zealand	(NZ$)	1.6115	+0.0045	108 - 121	1.6126	1.6051	1.6125	-0.7	1.6149	-0.8	1.6239	-0.8	-
Philippines	(Peso)	23.7500	-0.13	000 - 000	23.9000	23.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-0.0001	505 - 509	3.7509	3.7505	3.7542	-1.1	3.7611	-1.1	3.7757	-0.7	-
Singapore	(S$)	1.4660	+0.0005	655 - 665	1.4670	1.4642	1.4645	1.3	1.461	1.4	1.4445	1.5	-
S Africa (Com.)	(R)	3.5378	+0.0005	370 - 385	3.5405	3.5360	3.5533	-5.3	3.5854	-5.4	3.7503	-6.0	-
S Africa (Fin.)	(R)	4.1650	+0.005	550 - 750	4.2100	4.1500	4.193	-8.1	4.2375	-7.0	4.475	-7.4	-
South Korea	(Won)	794.950	-0.5	900 - 000	795.400	794.500	797.95	-4.5	801.45	-3.3	819.95	-3.1	-
Taiwan	(T$)	26.2295	-0.0535	250 - 340	26.2915	26.2200	26.2495	-0.9	26.2895	-0.9	-	-	-
Thailand	(Bt)	25.0245	+0.0345	230 - 260	25.0270	24.9700	25.054	-1.4	25.145	-1.9	25.5495	-2.1	-

†SDR rate for Nov 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 23. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 7/8	4 15/16	5 1/16	5 1/4	6	7.40	4.50	-
week ago	4 7/8	4 15/16	5 3/16	5 3/8	6 1/4	7.40	4.50	-
France	5 5/16	5 7/16	5 1/8	5 5/8	6 3/8	5.00	-	6.75
week ago	5 5/16	5 7/16	5 5/8	5 5/8	6 3/8	5.00	-	6.75
Germany	4.85	4.95	5.15	5.25	5.56	6.00	4.50	4.85
week ago	4.93	4.96	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5 1/8	5 1/4	5 3/4	6 1/16	7 1/8	-	-	6.25
week ago	5 1/8	5 1/4	5 7/8	6 5/16	7 1/8	-	-	6.25
Italy	8 1/8	8 3/8	8 9/16	8 11/16	9 9/16	-	7.50	8.20
week ago	8 1/8	8 3/8	8 9/16	9	9 9/16	-	7.50	8.20
Netherlands	4.84	5.04	5.20	5.34	5.73	-	5.25	-
week ago	4.84	5.04	5.23	5.34	5.75	-	5.25	-
Switzerland	3 1/2	3 9/16	3 9/16	4 1/16	4 3/8	6.625	3.50	-
week ago	3	3 9/16	3 9/16	4 3/16	4 1/16	6.625	3.50	-
US	5 3/4	5 1/2	5 7/8	6 1/8	6 7/8	-	4.75	-
week ago	5 3/4	5 1/2	5 7/8	6 3/16	6 5/8	-	4.75	-
Japan	2 1/4	2 1/4	2 5/16	2 3/8	2 9/16	-	1.75	-
week ago	2 1/16	2 1/4	2 5/16	2 7/16	2 9/16	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/4	5 15/16	6 1/4	6 7/8	-	-	-
week ago	-	5 3/4	5 15/16	6 1/4	6 3/4	-	-	-
US Dollar CDs	-	5.47	5.69	6.04	6.66	-	-	-
week ago	-	5.42	5.73	6.04	6.64	-	-	-
SDR Linked Ds	-	3 3/4	3 1/4	3 3/4	4	-	-	-
week ago	-	3 3/4	3 1/4	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 1/4; 3 mths: 5 5/8; 6 mths: 5 7/8; 1 year: 6 1/4. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/8 - 5	5 3/8 - 5 1/4	6 - 5 7/8
Danish Krone	5 3/4 - 5 1/2	5 3/4 - 5 1/2	5 3/4 - 5 1/2	6 1/4 - 6	6 5/8 - 6 3/8	7 1/4 - 7
D-Mark	4 15/16 - 4 13/16	5 - 4 7/8	5 - 4 7/8	5 3/16 - 5 1/16	5 1/4 - 5 1/8	5 9/16 - 5 7/16
Dutch Guilder	5 - 4 7/8	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 13/16 - 5 5/8
French Franc	5 3/8 - 5 1/4	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 5/8 - 5 1/2	5 7/8 - 5 3/4	6 3/8 - 6 1/4
Portuguese Esc.	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 1/2 - 9 1/8	10 1/8 - 9 7/8	10 3/8 - 10 1/8	10 1/2 - 10 1/4
Spanish Peseta	7 1/2 - 7 3/8	7 1/2 - 7 3/8	7 9/16 - 7 7/16	7 7/8 - 7 3/4	8 1/4 - 8 1/8	9 1/8 - 9
Sterling	4 7/8 - 4 5/8	5 1/4 - 5	5 11/16 - 5 9/16	6 - 5 15/16	6 9/16 - 6 7/16	7 1/4 - 7 1/8
Swiss Franc	3 7/16 - 3 5/16	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 13/16 - 3 11/16	4 3/16 - 4 1/16	4 1/2 - 4 3/8
Can. Dollar	5 13/16 - 5 1/2	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 3/4 - 5 5/8	6 3/8 - 6 1/4	7 3/16 - 7 1/16
US Dollar	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5 5/16 - 5 3/16	5 13/16 - 5 11/16	6 5/16 - 6 3/16	6 13/16 - 6 11/16
Italian Lira	9 - 7 1/2	8 5/16 - 8 1/16	8 3/8 - 8 1/4	8 13/16 - 8 9/16	9 5/16 - 9 1/16	9 15/16 - 9 13/16
Yen	2 1/4 - 2 3/16	2 3/16 - 2 1/4	2 3/16 - 2 1/4	2 3/8 - 2 1/4	2 1/2 - 2 3/8	2 13/16 - 2 11/16
Asian $Sing	2 3/4 - 2 1/2	4 - 3 7/8	4 1/8 - 4	4 5/16 - 4 3/16	4 1/2 - 4 3/8	4 3/4 - 4 5/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.40	94.39	-	94.40	94.37	19,671	89,330
Mar	94.13	94.15	+0.03	94.16	94.09	22,621	46,365
Jun	93.69	93.74	+0.05	93.76	93.67	5,429	33,802
Sep	93.34	93.39	+0.05	93.41	93.32	2,843	22,027

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.95	-0.01			0	2627
Mar		93.40	-			0	1454
Jun		92.84	-			0	389
Sep		92.45	-0.01			0	177

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.85	94.83	-0.02	94.85	94.81	27544	131516
Mar	94.72	94.72	-	94.75	94.70	32019	181925
Jun	94.40	94.41	+0.01	94.44	94.38	19911	127187
Sep	94.02	94.06	+0.04	94.09	94.00	11480	82378

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.14	91.14	0.02	91.19	91.12	3191	30061
Mar	90.45	90.44	0.02	90.50	90.42	3063	34917
Jun	89.90	89.89	0.03	89.93	89.86	337	16336
Sep	89.48	89.48	0.04	89.51	89.45	233	21531

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.00	96.00	-0.01	96.01	95.98	970	17365
Mar	95.71	95.76	0.05	95.77	95.70	1973	19128
Jun	95.40	95.45	0.04	95.46	95.40	428	6095
Sep	95.05	95.11	0.08	95.13	95.05	44	3053

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.12	0	94.13	94.10	878	7687
Mar	93.79	93.84	0.04	93.86	93.77	1089	7941
Jun	93.29	93.35	0.04	93.37	93.27	332	4124
Sep	92.79	92.86	0.05	92.88	92.79	263	2511

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.69	4.859	2.018	5023	5.448	21.28	496.1	405.5	23.18	4.119	1.996	4.288	3.118	307.0	2.551
Denmark	(DKr)	52.55	10	8.772	2.554	1.061	2640	2.863	11.18	260.7	213.1	12.18	2.165	1.049	2.254	1.639	161.4	1.341
France	(FFr)	59.91	11.40	10	2.911	1.209	3009	3.264	12.75	297.2	242.9	13.89	2.467	1.196	2.569	1.868	183.9	1.529
Germany	(DM)	20.58	3.916	3.435	1	0.415	1034	1.121	4.380	102.1	83.44	4.770	0.848	0.411	0.882	0.642	63.19	0.525
Ireland	(I£)	49.55	9.427	8.270	2.408	1	2489	2.699	10.54	245.8	200.9	11.48	2.041	0.989	2.125	1.545	152.1	1.264
Italy	(L)	1.991	0.379	0.332	0.097	0.040	100.	0.108	0.424	9.877	8.072	0.461	0.082	0.040	0.085	0.062	6.113	0.051
Netherlands	(Fl)	18.35	3.492	3.064	0.892	0.370	921.9	1	3.906	91.06	74.42	4.254	0.756	0.366	0.787	0.572	56.36	0.468
Norway	(NKr)	46.99	8.941	7.843	2.283	0.948	2360	2.560	10	233.1	190.5	10.89	1.935	0.938	2.015	1.465	144.3	1.199
Portugal	(Es)	20.16	3.835	3.365	0.979	0.407	1012	1.098	4.290	100.	81.73	4.672	0.830	0.402	0.864	0.629	61.89	0.514
Spain	(Pta)	24.66	4.693	4.117	1.198	0.498	1239	1.344	5.249	122.4	100.	5.716	1.016	0.492	1.058	0.769	75.73	0.629
Sweden	(SKr)	43.14	8.209	7.202	2.096	0.871	2167	2.351	9.182	214.0	174.9	10	1.777	0.861	1.850	1.345	132.5	1.101
Switzerland	(SFr)	24.28	4.620	4.053	1.180	0.490	1220	1.323	5.167	120.5	98.45	5.628	1	0.485	1.041	0.757	74.55	0.619
UK	(£)	50.09	9.531	8.361	2.434	1.011	2516	2.729	10.66	248.5	203.1	11.61	2.063	1	2.148	1.562	153.8	1.278
Canada	(C$)	23.32	4.437	3.892	1.133	0.471	1171	1.270	4.963	115.7	94.55	5.405	0.960	0.466	1	0.727	71.60	0.595
US	($)	32.07	6.102	5.353	1.558	0.647	1611	1.747	6.825	159.1	130.0	7.433	1.321	0.640	1.375	1	98.46	0.818
Japan	(Y)	32.57	6.197	5.436	1.583	0.657	1636	1.774	6.931	161.6	132.1	7.549	1.341	0.650	1.397	1.016	100.	0.831
Ecu		39.19	7.458	6.542	1.906	0.791	1969	2.135	8.341	194.4	158.9	9.085	1.614	0.782	1.681	1.222	120.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6436	0.6439	+0.0014	0.6467	0.6435	30,013	97,720
Mar	0.6460	0.6452	+0.0014	0.6474	0.6474	394	8,475
Jun	0.6490	0.6474	+0.0013	0.6490	0.6490	34	1,334

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0195	1.0187	-	1.0230	1.0186	21,779	75,517
Mar	1.0300	1.0274	-0.0002	1.0315	1.0272	1,084	10,339
Jun	1.0413	1.0385	-0.0004	1.0413	1.0385	19	836

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7580	0.7607	+0.0039	0.7646	0.7579	19,249	56,217
Mar	0.7620	0.7642	+0.0038	0.7680	0.7619	866	3,535
Jun	0.7700	0.7688	+0.0037	0.7715	0.7680	34	307

■ STERLING FUTURES (IMM) £62,500 per £ (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5678	1.5692	+0.0018	1.5762	1.5678	11,330	49,121
Mar	1.5730	1.5690	+0.0018	1.5760	1.5680	790	2,044
Jun	-	1.5682	+0.0018	1.5760	1.5690	39	122

UK INTEREST RATES

LONDON MONEY RATES

Nov 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4 3/4	5 1/8 - 4 7/8	5 7/16 - 5 5/16	6 1/16 - 5 15/16	6 7/16 - 6 3/8	7 3/16 - 7 1/16
Sterling CDs	-	-	5 1/2 - 5 7/16	5 15/16 - 5 7/8	6 3/8 - 6 1/4	7 3/32 - 7 1/32
Treasury Bills	-	-	5 7/16 - 5 3/8	5 13/16 - 5 3/4	-	-
Bank Bills	-	-	5 13/16 - 5 3/8	5 13/16 - 5 7/8	6 3/8 - 6 1/4	-
Local authority deps.	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 5/8 - 5 7/16	6 - 5 7/8	6 7/16 - 6 5/16	7 3/16 - 7 1/16
Discount Market deps	6 1/2 - 5	5 1/16 - 4 15/16	-	-	-	-

UK clearing bank base lending rate 5 3/4 per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 5.6236pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Nov 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.76	93.77	-0.02	93.78	93.75	7554	128651
Mar	93.06	93.07	-0.02	93.08	93.03	13124	94238
Jun	92.48	92.49	-0.01	92.51	92.45	2862	55816
Sep	92.00	92.01	-0.01	92.03	91.97	1790	64465

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.12	0.04	0.05	0.10	0.72	1.31
9400	0.02	0.01	0.03	0.25	0.94	1.54
9425	0	0	0.01	0.48	1.18	1.77

Est. vol. total, Calls 3996 Puts 11641. Previous day's open int., Calls 343818 Puts 239051

EMS EUROPEAN CURRENCY UNIT RATES

Nov 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14272	-0.00066	-2.46	6.03	-
Belgium	40.2123	39.3451	+0.0049	-2.16	5.70	16
Germany	1.94964	1.91208	-0.00026	-1.93	5.45	-
Ireland	0.808628	0.794656	+0.000214	-1.73	5.24	12
France	6.53883	6.56611	-0.00408	0.42	2.99	-3
Denmark	7.43679	7.49607	-0.00904	0.66	2.74	-5
Portugal	192.854	195.222	+0.135	1.23	2.17	-8
Spain	154.250	159.528	+0.055	3.42	0.00	-24
NON ERM MEMBERS						
Greece	264.513	294.619	+0.063	11.38	-7.15	-
Italy	1793.19	1976.96	-0.42	10.25	-6.19	-
UK	0.786749	0.785804	+0.001503	-0.12	3.55	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) (Nov 23)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.525	4.46	4.83	5.27	0.07	0.48	0.93
1.550	2.41	2.99	3.58	0.46	1.11	1.70
1.575	0.94	1.67	2.30	1.48	2.21	2.79
1.600	0.25	0.81	1.37	3.24	3.78	4.33
1.625	0.02	0.33	0.75	5.50	5.78	6.18
1.650	-	0.10	0.37	7.93	7.98	8.22

Previous day's vol., Calls 5,582 Puts 5,397 . Prev. day's open int., Calls 391,077 Puts 349,283

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.90	93.94	+0.05	93.99	93.90	51,231	380,158
Mar	93.33	93.40	+0.09	93.45	93.33	94,955	459,577
Jun	92.73	92.85	+0.12	92.88	92.73	75,196	315,189

■ US TREASURY BILL FUTURES (IMM) $1m per 100% (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.57	94.60	+0.08	94.62	94.57	1,845	13,686
Mar	93.93	94.05	+0.13	94.09	93.93	3,480	11,862
Jun	93.46	93.48	+0.13	93.49	93.45	1,508	1,896

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9475	0.10	0.09	0.12	0.14	0.02	0.12	0.15	0.17
9500	0.02	0.02	0.04	0.05	0.19	0.30	0.32	0.33
9525	0	0	0.01	0.01	0.42	0.53	0.54	0.54

Est. vol. total, Calls 6470 Puts 4814. Previous day's open int., Calls 222718 Puts 205258

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9600	0.06	0.07	0.05	0.06	0.31	0.60
9625	0.01	0.03	0.02	0.26	0.52	0.82
9650	0	0.01	0.01	0.50	0.79	1.06

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2819 Puts 1816

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	Lloyds Bank	5.75	* In administration	
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

مكتبة الأصول

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 24 / Sch)

BELGIUM/LUXEMBOURG (Nov 24 / Frs.)

DENMARK (Nov 24 / Kr)

FINLAND (Nov 24 / Mkk)

FRANCE (Nov 24 / Frs.)

GERMANY (Nov 24 / Dm.)

ITALY (Nov 24 / Lire)

NETHERLANDS (Nov 24 / Fls.)

NORWAY (Nov 24 / Kroner)

SPAIN (Nov 24 / Pts.)

SWEDEN (Nov 24 / Kronor)

SWITZERLAND (Nov 24 / Frs.)

PACIFIC

JAPAN (Nov 24 / Yen)

AUSTRALIA (Nov 24 / Aust$)

HONG KONG (Nov 24 / H.K.$)

MALAYSIA (Nov 24 / MYR)

SINGAPORE (Nov 24 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 24 / Can $) 4 pm close

MONTREAL (Nov 24 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Nov 24 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, November 24, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.0m	375	-2	Kawasaki Steel	2.8m	410	-2
Mitsubishi Hvy	6.3m	727	-12	Toshiba	2.8m	682	-5
Hitachi	3.5m	940	-18	Marubeni	2.8m	514	-11
Sanyo Elec	3.2m	580	-5	Sumitomo Mtl	2.7m	324	-6
Oki Elec	3.1m	686	-31	Tokyo Gas	2.6m	425	-2

INDICES

	Nov 24	Nov 23	Nov 22	1994 High		1994 Low	
Taiwan Weighted Pr.(30/6/66)**	6340.02	6371.48	6345.27	7191.13	30/9	5194.63	19/3
Thailand Bangkok SET (30/4/75)	1357.29	1332.85	1402.81	1753.73	4/1	1186.59	4/4
Turkey Istanbul Cmp.(Jan 1986)	25596.0	25828.1	26604.2	28883.60	13/1	12880.70	24/3
WORLD MS Capital Int (1/1/70)$	606.7**	607.7	611.6	649.90	2/11	581.60	4/4
CROSS-BORDER Eurotrack 100(26/10/90)	1329.95	1313.33	1331.93	1540.19	31/1	1288.48	5/10
Euro Top-100 (26/6/90)	1172.30	1159.99	1176.57	1311.01	2/2	1136.48	5/10
JCapelDrgns (31/12/88)	(u)	308.66	320.01	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	169.63	171.86	191.79	26/9	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	1913.0	1934.0	+34.0	1940.0	1912.0	25,787	17,325
Dec	1923.0	1943.0	+34.0	1948.0	1921.5	4,702	25,496
Jan	1931.0	1950.5	+33.5	1956.5	1931.0	101	337

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 23	Nov 22	Nov 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3674.63	3677.99	3769.51	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.76	93.76	93.75	105.61 (21/1)	93.75 (21/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1422.19	1440.82	1459.45	1862.29 (2/2)	1422.19 (23/11)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.50	173.94	174.47	227.86 (5/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3704.81 (3787.34) Low 3612.05 (3669.56) (Theoretical)
Day's high 3685.39 (3769.51) Low 3638.97 (3677.99) (Actual)

Standard and Poors	Nov 23	Nov 22	Nov 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	449.93	450.09	458.30	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials	534.31	537.25	548.16	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	40.79	39.87	40.60	46.94 (14/6)	39.87 (22/11)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	246.18	246.32	250.58	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	432.40	436.14	441.39	487.89 (2/3)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	736.70	741.21	757.74	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 18	Nov 11	Nov 4	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.78	2.71
	Nov 16	Nov 9	Nov 2	Year ago
S & P Ind. Div. yield	2.38	2.39	2.39	2.38
S & P Ind. P/E ratio	19.03	20.93	20.95	28.88

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index (Nov 23)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	446.60	450.55	+3.40	451.40	444.50	93,413	210,839
Mar	451.40	453.55	+3.35	454.50	447.50	8,277	42,454
Jun	454.85	457.50	+3.25	458.00	451.55	62	4,618

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	6,085,700	50¾	+⅛
Motorola	5,863,300	55⅜	-1¾
Gen Motors	5,211,200	37⅝	+1⅛
RJR Nabisco	5,167,400	6¼	--
Gen Elec	4,941,500	48	-½
AT & T	4,903,100	50	-⅛
IBM	4,686,300	69⅝	-⅛
WMX Tech	4,537,500	25⅝	-¼
Citicorp	4,488,400	41⅛	+½
Ford Motor	3,875,600	27¼	+⅜

■ TRADING ACTIVITY

● Volume (million)	Nov 23	Nov 22	Nov 21
New York SE	430.735	383.249	292.985
Amex	23.106	18.428	17.897
NASDAQ	329.517	329.517	281.544
NYSE			
Issues Traded	2,933	2,933	2,926
Rises	1,144	475	798
Falls	1,238	1,895	1,480
Unchanged	553	563	648
New Highs	3	8	12
New Lows	344	325	195

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). Subject to official recalculation.

EUROPE

Strategists bearish as bourses stage recovery

Bourses recovered yesterday, but strategists were not encouraging, *writes Our Markets Staff*. Mr Nicholas Knight of Nomura raised the spectre of US mutual fund redemptions and forecast further significant downside distress.

FRANKFURT extended Wednesday afternoon's gentle recovery, the Dax index rising 22.66 to 2,055.97 on the session, and by an Ibis-indicated 18.74 to 2,058.79 in the post bourse.

Turnover fell from DM7.5bn to DM5.1bn. The talk was of short-covering: above average gains by the end of the afternoon, for Deutsche Bank, Hoechst in chemicals and one or two engineers, were registered mainly by the shares worst hit during the falls of the previous two days.

One of the main contrasts during the session was a DM7.10 gain to DM309.70 for BASF, on nine-month figures far better than expected; Henkel, at the less cyclical end of the chemicals sector, produced a progress report in line with expectations, was totally outfaced by the BASF performance, and fell DM6 to DM576.

US markets were closed for the Thanksgiving holiday

Other fallers included Metallgesellschaft, returning from suspension to an intraday low of DM95, and a post-bourse close DM31 lower at DM111.

Mr Hans-Peter Wodniok, at Robert Fleming in Frankfurt, was still not attracted to the metals trader. Its planned capital reduction, he said, meant an effective price for the shares of DM220, on which the company might be capable of earning DM10 a share at peak.

MILAN struggled to keep pace with political developments, the Comit index rising 3.01 to 626.65 in a technical rebound after the 3.9 per cent slide during the previous two sessions. The mood remained tense, and trading was said to be exceptionally thin.

Among the day's best gainers was RAS, L285 higher at L15,073 amid arbitrage between the ordinaries and rights.

Fininvest's Standa rose L800 to L35,000, but in very thin volume of just 1,500 shares, and Mondadori was L30 higher at L13,830 after Mr Silvio Berlusconi, the prime minister, said he would sell his Fininvest companies.

AMSTERDAM regained Wednesday's losses, and saw a rise in the AEX index of 4.81 or 1.2 per cent to 406.81.

ING helped the market as the banking and insurance group turned in better than expected third quarter figures and the shares rose Fl 1.80 or 2.3 per cent to Fl 80.00.

Philips did even better on the day as some US funds returned as buyers, lifting the shares Fl 1.70 or 3.4 per cent to Fl 52.30. Analysts noted that the shares had been oversold following third quarter results earlier this month which were seen as being at the high end of forecasts.

PARIS greeted the first day of the December account with a rise of 2.2 per cent, the CAC-40 index gaining 41.59 to 1,934.68 in turnover estimated at FFr3.6bn.

During the October account the market rose 2.7 per cent, only the third time that it had risen during 1994.

While activity was generally muted a few issues stood out, most notably Eurotunnel, which climbed 6.5 per cent to FFr21.95, as some investors took the view that recent weakness had been overdone.

Alcatel Alsthom, another stock which has suffered heavy falls in recent weeks, added to Wednesday's gain with a rise of FFr20.60 to FFr440.20. Danone, which said that it had bought a majority stake in a leading Argentine biscuit manufacturer, rose FFr8 to FFr774.

ZURICH's mood was improved by stronger bonds and the stabilisation of the dollar, and the SMI index rose 22.5 to 2,568.6.

UBS bearers fell another SFr7 to SFr1,118, after a low of SFr1,106, in further reaction to Tuesday's vote for a unitary share. The registered stock was down SFr4 to SFr249. By contrast, SBC and CS Holding bearers both gained SFr10, to SFr362 and SFr546 respectively, continuing to benefit from switching out of UBS.

Von Roll bearers fell SFr235 to SFr190 after being suspended from trading on Wednesday when the company announced a restructuring programme which included a 90 per cent capital cut. The steel and engineering group's losses ballooned last year to SFr441m.

STOCKHOLM recovered 1.6 per cent, helped by a good nine-month package from the forestry products group, MoDo.

The Affärsvärlden General index closed 23.60 higher at 1,499.00. MoDo increased its profits forecast for 1994, and said it intended to simplify its share structure. Its B shares jumped SKr16 to SKr349. Trygg-Hansa, the insurer, saw its B shares gain SKr5.50 to SKr75.50 on a bullish newspaper article.

TEL AVIV offered only a token recovery, the Mishtanim index rising 1.29 to 166.24. The blue chip index, by Wednesday, had dropped 31 per cent this year. At a conference in London yesterday fund managers urged the country to broaden its shareholder base, noting that just 1 per cent of equity was currently held by foreigners.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Nov 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1326.10	1325.89	1326.77	1328.71	1328.71	1329.61	1330.28	1329.95
FT-SE Eurotrack 200	1378.90	1379.25	1380.50	1382.30	1381.07	1382.17	1381.96	1383.40

THE EUROPEAN SERIES

	Nov 23	Nov 22	Nov 21	Nov 18	Nov 17
FT-SE Eurotrack 100	1313.33	1331.83	1351.17	1344.08	1350.69
FT-SE Eurotrack 200	1370.41	1391.75	1411.82	1405.81	1412.93

Base 1000 (26/10/90): High/day: 100 - 1330.48; 200 - 1383.48 Low/day: 100 - 1325.15 200 - 1378.90 † Partial

Uncertain outlook for Oslo

By Karen Fossli in Oslo

Norwegian share prices face a volatile period after next Monday's referendum on membership of the European Union, say analysts, irrespective of the outcome of the vote.

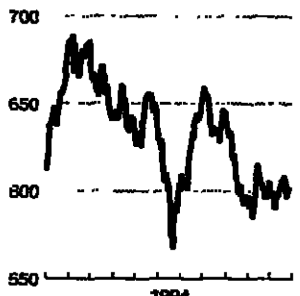
"The most unsettling outcome of the referendum will not be rejection of membership, but a 'yes' win so slim as to put in doubt the process of ratification," says Enskilda Corporate in London.

The official outcome will be known by Tuesday morning, and the Storting, or parliament, will meet on Wednesday to set the agenda for a debate and the subsequent ratification vote which could take place one or two weeks later.

Enskilda says that extreme political uncertainty is likely to follow a "yes" vote, which would result in rapidly increasing volatility in the stock market. Prices would be likely to fall even more than if there were a "no" vote, says the broker, which expects the market to test its all-time high within two or three months of the issue being resolved, irrespective of the outcome.

Norway

Oslo SE General



Source: FT Graphite

In the event that voters approve EU membership, ratification by the Storting needs a 75 per cent majority. But the main opposition, the anti-EU Centre and Socialist Left parties, have threatened to block ratification if they consider that a "yes" majority is not large enough to be representative of the whole country.

Oslo's all-share index reached an historic peak of 688.23 on February 4. Since then share prices have been unstable and are currently around 11 per cent below their record, largely due to interest rates which have risen strongly since August in response to inflationary fears over consumer spending and the weaker krone against the Ecu.

Yesterday the all-share rose 6.78 to 603.07 in relatively thin trade. The US investment house, Goldman Sachs, believes that the market could rise 15 to 20 per cent over the next 12 months in the event of a "no" vote. If membership were approved, however, the investment bank reckons that the market could climb between 20 to 25 per cent, based on a favourable macro outlook, strong earnings growth prospects and the scope for sustained profitability and competitiveness in the export industry.

ASIA PACIFIC

US worries drive Nikkei down

Tokyo

Mounting concern over US share prices prompted arbitrage unwinding and profit-taking, and the Nikkei 225 average lost 1.4 per cent in spite of active buying by public funds, *writes Emiko Terazono in Tokyo*.

After ranging between 18,877.08 and 18,688.74, the index ended 261.75 off at 18,701.24, its lowest since a 18,648.36 close on January 25.

Overseas investors took profits, while individuals who had bought shares on margin were forced to liquidate stock. A fall in futures prices prompted arbitrage-linked selling. The decline slowed in the afternoon, when share prices managed to recoup some of their loss thanks to buying by corporations and financial institutions, including public funds.

However, selling continued throughout the day, and the Nikkei finally closed lower. More than 200 stocks hit new lows for the year, and some traders expect the next technical support line to be around 17,600.

The Topix index of all first section stocks retreated 18.76 or 1.3 per cent to 1,484.16, the lowest since January 7. The index fell through the 1,500 level for the first time since January 24. The Nikkei 300 dipped 3.15 to 272.67. Declines overwhelmed rises by 982 to 93, with 103 issues unchanged. But in London the ISE/Nikkei 50 index rose 5.32 to 1,220.79.

All sectors declined, with the retail group hit the most with a drop of 1.98 per cent, and warehousing falling 1.84 per cent.

Steels were traded actively. Nippon Steel, the most active stock of the day, slipped Y2 to Y375, while Kawasaki Steel softened Y2 to Y410. Shipbuilders were also weak, with Mitsubishi Heavy Industries down Y12 to Y727.

Sony receded Y80 to a new low for the year of Y5,030, posting its fourth consecutive retreat. Other high-technology stocks were also weak, with Matsushita Electric Industrial down Y30 to Y1,490 and Hitachi off Y18 at Y940.

Privatised companies were down sharply. Japan Tobacco relinquished Y18,000 at Y965,000 and Nippon Telegraph and Telephone declined Y14,000 to Y829,000.

Financials were down. Banks, which reported poor interim earnings yesterday, declined. Fuji Bank fell Y40 to Y1,900 and Sumitomo Bank lost Y50 at Y1,670. Brokers were also lower, on fears of poor earnings due to the weak stock market. Nomura Securities fell Y20 to Y1,890 and Nikko Securities dipped Y20 to Y1,000.

In Osaka, the OSE average shed 313.97 to 20,789.81 in volume of 31.7m shares.

Roundup

The region's markets recovered from Wednesday's losses, although sentiment remained nervous.

HONG KONG made a concerted early attempt to move higher, after the sharp losses of the previous two sessions, but gains were subsequently reduced by profit-taking and futures-related selling. The Hang Seng index, which rallied 2 per cent to a peak of 8,747.86, finished 71.83 ahead on the day at 8,647.86.

Turnover came to a provisional HK$4.38bn, compared with a revised HK$6.08bn on Wednesday.

Analysts noted that index futures remained at a discount to the cash market throughout the day, helping to drag it down during the afternoon.

Shui Hing topped the net gainers, rising 30 per cent to HK$13.05 in response to higher profits. Television Broadcasts added HK$1 at HK$31, while Swire Pacific "A" rose HK$2.95 to HK$51.75.

SINGAPORE was helped ahead by bargain hunting in blue chips, although dealers noted that a bearish mood still prevailed. European and Hong Kong funds were said to be buyers, with US funds still net sellers.

The Straits Times Industrial index ended 18.59 stronger at 2,236.40, but was off a high of 2,244.64.

KUALA LUMPUR also saw late buying of index stocks, taking the composite index 5.74 higher to 1,007.54.

Several foreign funds were said to be switching out of equities and into the money market, however, and the rebalancing of funds' portfolios would continue to dampen the index in the days ahead.

SYDNEY closed higher on bargain hunting, with the All Ordinaries index moving forward 28.6 to 1,885.7 to finish just off its high for the day of 1,886.6. Turnover amounted to A$502m.

Brokers said the cash market was led forward by strength in futures: the December futures contract advanced 35 to 1,870.

The banks sector firmed following higher than expected profits from ANZ earlier in the week. ANZ shares climbed 18 cents yesterday to A$3.93. NAB put on 18 cents at A$10.72 and Westpac strengthened 16 cents to A$4.28.

TAIPEI was unable to maintain its advance as profit-taking in textiles and papers pushed the market lower. The weighted index dipped 31.46 or 0.5 per cent to 6,340.02. Turnover expanded to T$47bn from T$39.4bn.

Among textiles, Shinkong retreated 40 cents to T$31.80, but Hualon outperformed the market with a rise of 60 cents to T$23.30.

In spite of speculation that the government might support the stock market before the December 3 elections, brokers believed that equities would consolidate around the 6,400 level.

MANILA was slightly stronger on local buying, the composite index firming 4.18 to 2,730.47. Turnover improved to 2.17bn pesos from 1.98bn pesos.

The property sector led the advance, the sub-index adding 1.44 at 104.92, while the commercial and industrial group receded 4.06 to 4,046.30.

BANGKOK settled at the session's high after bargain hunting accelerated in the afternoon.

The SET index put on 24.34 or 1.83 per cent at 1,357.29 in turnover of Bt6.58bn.

Local investors were seen buying banking, property and communication stocks, especially in the afternoon period, while foreign managers concentrated on blue chips.

TelecomAsia appreciated Bt5 to Bt80.50, while Bangkok Bank moved up Bt3 to Bt192 and Bangkok Land added Bt4.50 at Bt57.50.

SEOUL continued to fall for a sixth consecutive day, in spite of some late institutional buying of primary blue chips. The composite index declined 10.81 to 1,085.16.

Brokers commented that the continued consolidation of blue chips and concern about a liquidity squeeze had taken their toll on the market. The central bank soaked up Won3,500bn on Wednesday by issuing repos.

Profit-taking by foreign investors ahead of the lifting of the foreign stock ownership ceiling next month also put pressure on the market.

In spite of the broadly based falls, some shares with good corporate earnings prospects continued to attract investors. Sanung Up Securities went limit up, advancing Won1,000 to Won26,800.

BOMBAY rose towards the close on heavy buying by local mutual funds and on short-covering by investors on the last day of the account.

The BSE-30 index closed 52.72 higher at 4,075.39 after funds and financial institutions picked up issues in the specified shares group. Foreign funds, which were net sellers on Wednesday, were inactive.

De Beers advances 3% as Namibia takes stake in diamond operations

Equities finished firmer, although trade was cautious in the absence of a lead from the US. Brokers said most of the overseas buying had come from the UK.

The overall index rose 67.4 to 5,866.8 after a 109-point decline on Wednesday; industrials put on 83 at 6,949.9; and the golds index was 20.4 higher at 2,067.7 after a static afternoon performance.

De Beers advanced R2.75 to R95.75 as the group announced that the Namibian government had taken a 50 per cent stake in its diamond mining operations there.

Anglos was unchanged at R234 and Minorco moved ahead R1.65 to R98.15. SAB recovered some of Wednesday's loss, improving R2 to R99, while Barlows appreciated R1 to R34.25.

Brazil rallies following weakness in bank sector

By Angus Foster in São Paulo

Share prices in Brazil recovered yesterday after a traumatic few days' trading which briefly saw the main Bovespa index down 12 per cent from a week ago.

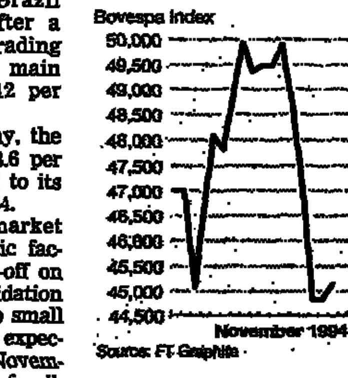
By lunchtime yesterday, the Bovespa had regained 3.6 per cent at 45,539, compared to its Monday opening of 47,124.

Analysts said the market was worried by domestic factors, as well as the sell-off on global markets. The liquidation early in the week of two small banks and a higher than expected inflation figure for November both pointed to the fragility of the government's anti-inflation plan and the new Real currency.

Analysts are also waiting for Mr Fernando Henrique Cardoso, the president-elect, to announce his plans for privatisation and economic reforms to underpin the Real. Although the stock market is expected to do well under Mr Cardoso's presidency, uncertainty ahead of his January 1 inauguration has led to profit-taking.

Brazil

Bovespa index



Source: FT Graphite

Since his election, when the Bovespa index hit 54,840, the market has fallen some 15 per cent. Even so, the index is still 21 per cent up since the Real's introduction on July 1. Among the constituents of the IFC's emerging markets index, Brazil has shown by far the best performance in dollar terms on the year to date, with a gain of more than 80 per cent.

Mr Cardoso is not expected to make any significant announcements until the middle of next month. Markets may, therefore, remain nervous over the next few weeks, especially since some smaller banks are still rumoured to face liquidity problems.

The new currency and a liquidity squeeze have seriously pressured some smaller financial institutions, and the central bank has liquidated seven banks since the Real's launch. Although these banks are small, the market is worried about the potential knock-on effect to bigger institutions, especially the financially troubled state banking sector.

A central bank announcement, which said that it was slightly relaxing liquidity to support smaller banks, helped to lift sentiment yesterday. Mr Pedro Malan, the bank governor, also told senators that the financial markets were exaggerating the scale of the banking problems. However, at least five more small banks are thought to be experiencing liquidity problems or seeking help from the central bank.

CANADA

Toronto made gains at midday, boosted by stronger earnings from Canadian banks and firm gold stocks. The TSE 300 index was up 29.25 at 4,077.85 in volume of 19.1m shares. Toronto Dominion Bank moved up C$⅝ to C$20½ after stating that its fourth-quarter 1994 net income jumped to C$195m, from C$82m in the same 1993 period.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 23 1994								TUESDAY NOVEMBER 22 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	162.63	-1.1	153.57	101.09	131.37	142.31	-0.6	4.01	164.37	155.16	101.90	132.77	143.23	189.15	149.36	150.95
Austria (16)	177.44	-0.7	167.55	110.29	143.33	143.31	-0.7	1.13	178.73	168.71	110.80	144.36	144.24	198.89	167.46	171.72
Belgium (35)	166.29	-0.1	157.02	103.36	134.32	131.06	-0.1	4.21	166.54	157.21	103.24	134.51	131.22	177.04	152.74	152.82
Brazil (28)	166.95	-2.4	157.64	103.77	134.85	259.98	-1.3	0.79	171.11	161.52	106.08	138.21	263.47	-	-	-
Canada (103)	126.55	-0.2	119.50	78.66	102.22	125.81	-0.3	2.72	126.87	119.76	78.65	102.47	126.20	145.31	120.64	132.98
Denmark (33)	245.00	-1.3	231.35	152.29	197.90	202.95	-1.2	1.46	248.16	234.26	153.85	200.44	205.32	275.79	230.27	234.21
Finland (24)	182.40	-2.1	172.23	113.38	147.33	181.60	-2.1	0.77	186.28	175.84	115.48	150.46	185.61	201.41	116.85	118.96
France (102)	164.34	-1.0	155.18	102.15	132.75	137.59	-0.9	3.12	165.96	156.66	102.90	134.06	138.89	185.37	159.34	160.19
Germany (58)	138.39	-1.9	130.68	86.02	111.79	111.79	-1.9	1.86	141.06	133.15	87.45	113.93	113.93	150.40	128.37	129.98
Hong Kong (56)	343.20	-4.3	324.07	213.33	277.23	340.70	-4.3	3.51	358.80	338.70	222.44	289.81	356.17	506.66	341.29	368.41
Ireland (14)	198.51	-2.0	187.45	123.40	160.35	180.25	-2.2	3.55	202.62	191.27	125.62	163.66	184.24	218.60	172.05	172.06
Italy (69)	74.44	-1.4	70.29	46.27	60.13	89.37	-1.2	1.77	75.46	71.23	46.78	60.95	90.45	97.78	57.88	57.88
Japan (468)	153.36	-0.3	144.82	95.33	123.88	95.33	0.0	0.81	153.77	145.16	95.33	124.20	95.33	170.10	124.54	139.17
Malaysia (97)	495.37	-2.1	467.76	307.92	400.14	487.41	-2.0	1.72	506.18	477.82	313.81	408.85	497.60	621.63	430.71	467.39
Mexico (18)	1971.42	-1.5	1861.52	1225.41	1592.41	7422.29	-1.4	1.38	2000.95	1888.82	1240.48	1616.16	7526.91	2647.08	1696.28	2030.36
Netherland (19)	208.05	-1.3	196.45	129.32	168.05	165.37	-1.3	3.49	210.81	199.00	130.69	170.27	167.52	223.30	187.93	188.10
New Zealand (14)	70.77	-3.1	66.82	43.99	57.16	60.39	-3.0	4.83	73.07	68.97	45.30	59.02	62.27	77.59	61.27	62.35
Norway (23)	192.92	-1.1	182.17	119.92	155.83	178.10	-1.2	1.86	195.15	184.21	120.98	157.62	180.20	211.74	165.52	174.24
Singapore (44)	368.50	-2.6	347.96	229.06	297.66	248.86	-2.5	1.72	378.25	357.06	234.50	305.52	255.28	401.38	294.66	308.23
South Africa (59)	328.06	-2.6	309.77	203.92	264.99	298.28	-1.7	2.16	336.70	317.83	208.74	271.95	303.57	342.00	205.55	224.49
Spain (39)	140.23	-1.0	132.41	87.16	113.27	137.75	-0.9	4.25	141.65	133.71	87.82	114.41	138.95	155.79	128.86	134.03
Sweden (36)	234.66	-1.8	221.58	145.86	189.55	258.52	-1.5	1.56	239.01	225.62	148.18	193.05	260.52	242.81	175.83	181.92
Switzerland (47)	158.91	-1.0	150.05	98.77	128.36	129.73	-1.1	1.87	160.53	151.53	99.52	129.66	131.22	176.56	146.36	148.36
Thailand (46)	155.42	-4.8	146.75	96.61	125.54	150.74	-4.8	2.31	163.27	154.12	101.22	131.87	158.42	-	-	-
United Kingdom (204)	193.44	-1.7	182.66	120.24	156.25	182.66	-1.7	4.21	196.76	185.73	121.98	158.93	185.73	214.96	181.11	185.00
USA (513)	184.19	0.0	173.87	114.45	148.73	184.13	0.0	2.96	184.19	173.67	114.19	148.77	184.19	196.04	178.95	187.52
Americas (862)	171.97	-0.1	162.38	106.89	138.91	142.89	-0.1	2.90	172.15	162.50	106.72	139.04	143.12	-	-	-
Europe (708)	166.81	-1.4	157.52	103.68	134.74	146.51	-1.4	3.15	169.26	159.77	104.93	136.71	150.64	178.58	156.02	155.02
Nordic (118)	222.81	-1.7	210.39	138.50	179.98	206.39	-1.5	1.42	226.69	213.99	140.54	183.10	211.84	233.91	173.19	178.02
Pacific Basin (793)	161.31	-0.7	152.32	100.27	130.30	104.80	-0.4	1.17	162.41	153.31	100.69	131.18	105.26	176.66	134.79	147.96
Euro-Pacific (1501)	163.52	-1.0	154.40	101.64	132.08	122.06	-0.9	2.02	165.19	155.93	102.41	133.42	123.11	175.14	143.88	150.77
North America (616)	180.56	0.0	170.49	112.23	145.85	180.13	0.0	2.97	180.63	170.51	111.98	145.90	180.20	192.73	175.67	184.13
Europe Ex. UK (504)	148.94	-1.3	140.64	92.58	120.31	128.34	-1.3	2.53	150.91	142.45	93.55	121.88	129.99	158.12	135.94	135.94
Pacific Ex. Japan (325)	239.88	-2.8	226.51	149.11	193.77	211.39	-2.7	3.09	246.83	233.00	153.02	199.37	217.20	296.21	232.54	232.54
World Ex. US (1709)	165.23	-1.0	156.02	102.71	133.47	125.64	-0.9	2.03	166.98	157.62	103.52	134.87	126.75	176.65	145.56	152.23
World Ex. UK (2018)	168.28	-0.8	158.90	104.60	135.93	139.76	-0.5	2.16	169.27	159.78	104.94	136.72	140.41	178.59	155.96	160.91
World Ex. Japan (1754)	181.51	-0.9	171.39	112.82	146.61	172.17	-0.8	2.98	183.10	172.63	113.51	147.88	173.59	195.20	176.34	177.32
The World Index (2222)	170.50	-0.7	160.99	105.96	137.72	143.62	-0.6	2.36	171.69	162.06	106.44	138.67	144.46	180.80	158.85	163.04

Latest prices were unavailable for this edition. Japanese market closed 23/11/94.